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The Gambia—Fifth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, and Request for a Waiver of Nonobservance of Performance Criterion—Staff Report; and Press Release

In the context of the fifth review under the three-year arrangement under the Poverty Reduction and Growth Facility for The Gambia and its request for a waiver of nonobservance of performance criterion, the following documents have been released and are included in this package:

- The staff report for the Fifth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, and Request for a Waiver of Nonobservance of Performance Criterion, prepared by a staff team of the IMF, following discussions that ended on May 21, 2009, with the officials of The Gambia on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on July 21, 2009. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- A Press Release summarizing the views of the Executive Board.

The documents listed below have been or will be separately released.

Letter of Intent sent to the IMF by The Gambian authorities.*
Memorandum of Economic and Financial Policies by the Gambian authorities*
Technical Memorandum of Understanding*
*Also included in the Staff Report

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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THE GAMBIA

Fifth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Request for Waiver of Nonobservance of Performance Criterion

Prepared by the African Department
(In consultation with other departments)

Approved by Roger Nord and Dominique Desruelle

July 21, 2009

Discussions: The discussions were held in Banjul May 8–21, 2009. The staff team comprised Mr. Powell (head), Mr. Dwight, Mr. Pamu, Mr. Reinke (all AFR), Mr. Obiora (SPR), and Mr. Segura (resident representative, based in Dakar). The team met then-Minister of Finance Mousa Gibril Bala-Gaye, Central Bank Governor Momodou Mamba Saho, other senior officials, and representatives of commercial banks, the business community, nongovernmental organizations, and The Gambia's development partners. Mr. Abdou Kolley was appointed as Minister for Finance and Economic Affairs effective June 19, 2009.

PRGF arrangement: The current three-year PRGF arrangement was approved in February 2007 in the amount of SDR 14 million (45 percent of quota). The fourth review and augmentation of access (20 percent of quota) was completed February 18, 2009. The authorities are requesting the sixth disbursement (SDR 5.11 million).

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EXECUTIVE SUMMARY

Performance on the PRGF-supported program has been generally satisfactory. All quantitative performance criteria for end-March 2009 were met and the structural measures scheduled through March were implemented (some with a delay). Staff supports the authorities' request for a waiver for the nonobservance of the performance criterion for making the credit reference bureau operational and conclusion of the 5^{th} review.

The global economic crisis is undermining growth and the external balance. GDP growth is expected to decline from about 6 percent in 2008 to 3½ percent in 2009, and tourism and remittances are expected to fall by about 20 percent. Nonetheless, the government met its fiscal target for March 2009. Both revenues and expenditures so far in 2009 are in line with budget projections and, with donor support (including the earlier PRGF augmentation), gross international reserves are projected to increase to about 4.6 months of imports by year-end.

The Gambia's external debt position has worsened recently. Even after HIPC and MDRI debt relief, the country is at high risk of debt distress. Staff urged the authorities to complete a comprehensive debt strategy by September and to rely primarily on grants to finance development spending.

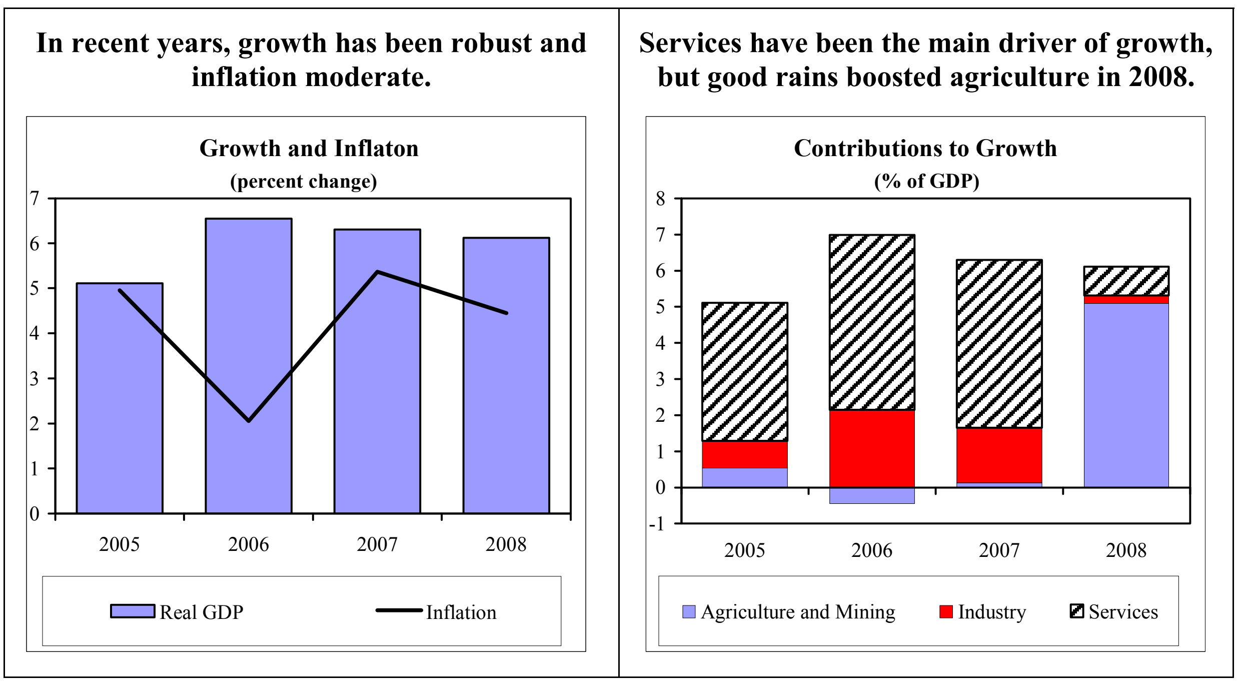
I. Introduction

1. **The current three-year program was approved in February 2007 and The Gambia reached the HIPC completion point and received MDRI assistance in December 2007.** From 2006 to 2008, growth averaged 6.3 percent while inflation remained below 7 percent.

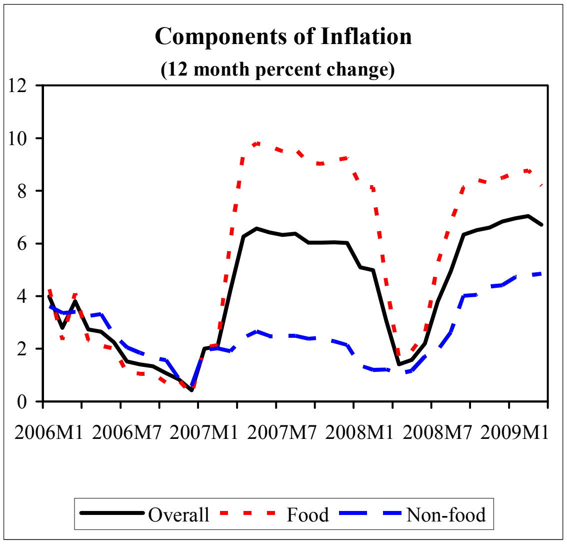
2. **The global financial crisis has significantly affected The Gambia**. Receipts from tourism and remittances, in particular, are projected to fall sharply in 2009. At the fourth PRGF review (IMF Country Report No. 09/92, February 2009), program targets for the fiscal balance and international reserves were therefore relaxed. The revised program is on track. Policy discussions continue to focus on sustaining appropriate fiscal and monetary policies and addressing The Gambia's external debt, which remains high despite HIPC and MDRI debt relief.

II. Recent Economic Developments and Progress

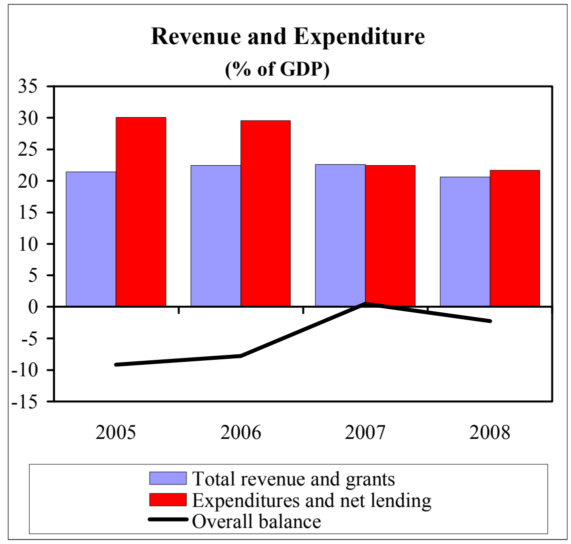
Figure 1. The Gambia: Recent Economic Developments



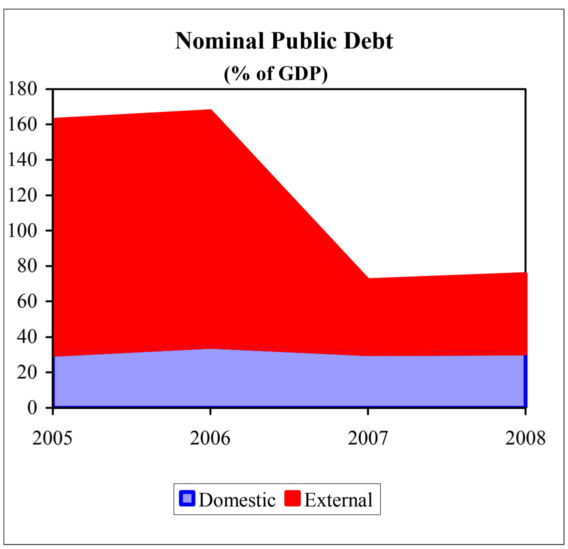
Though volatile, inflation is still in single digits.



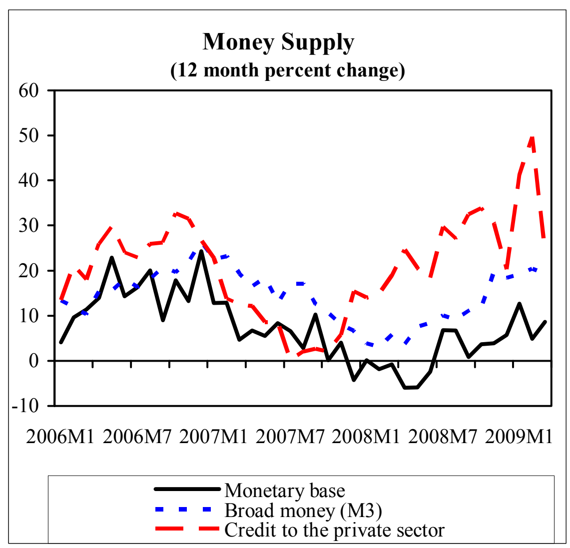
Progress in reigning in expenditures …



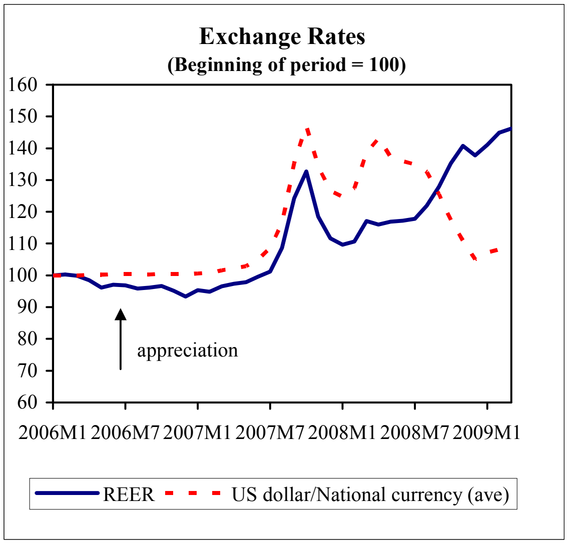
… along with debt relief, has decreased the debt burden.



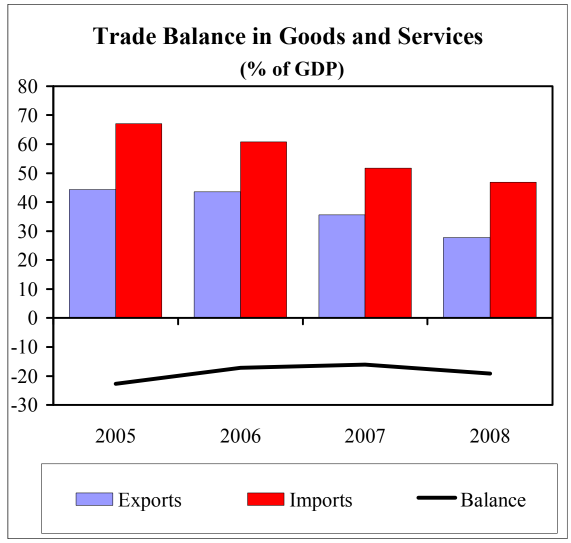
The money supply has grown moderately.



The exchange rate appreciated then depreciated against the dollar, but the real effective exchange rate continued upward.



Imports and exports have both fallen but the trade balance has remained relatively steady.



Sources: Gambian authorities; and Fund staff estimates and projections.

3. **The global downturn is suppressing growth**. Real GDP grew 6.1 percent in 2008 as good rains helped agriculture (see Figure 1). However, tourist arrivals and remittances are down by 20–30 percent in the first quarter of 2009, and annual growth is projected to fall to 3.6 percent.

4. **Fiscal performance weakened in 2008** (Tables 2 and 3). The overall balance declined from a surplus of ½ percent of GDP in 2007 to a deficit of 2¼ percent as non-oil import taxes fell in domestic currency terms as the dalasi appreciated. Petroleum taxes also dropped because the government did not increase pump prices when world oil prices rose in early 2008. As for expenditures, the government increased salaries by 20 percent as part of planned civil service reforms.

5. **In the first quarter of 2009, however, the basic balance (which excludes grants and foreign- financed capital expenditure) improved significantly compared to a year earlier,** thanks to increased petroleum taxes. The government kept spending within budget, allowing it to repay some 2008 borrowing from the Central Bank of the Gambia (CBG).

6. **The external current account deficit including official transfers increased to 16¾ percent of GDP in 2008.** The global economic crisis affected The Gambia mainly through declines in tourist arrivals and remittances. Its re-export trade, which thrived in the past due to comparatively low import duties, minimal administrative procedures, and liberalized exchange controls, has also declined significantly in recent years as the ECOWAS common tariff was put in place and port facilities in Senegal have improved.

7. **Foreign exchange reserves fell sharply in 2008 because the CBG intervened heavily to support the Dalasi in November and December**. From end-2007 through March 2009 gross international reserves fell from 5½ to 3¼ months of imports. While depreciating against the dollar in late 2008, the dalasi held firm against the pound and the euro, and the real effective exchange rate has continued to appreciate into 2009.

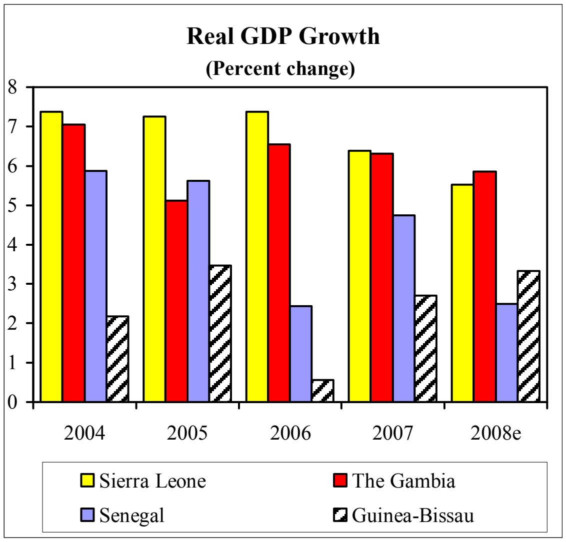
8. **Compared with other countries in the region, The Gambia has experienced strong growth and low inflation but has lost competitiveness** (Figure 2). However, the appreciation of the dalasi in 2008 was mitigated by the fact that many visitors pay in advance for tourist packages and the dalasi depreciated from August to December 2008.

9. **The authorities met all the revised quantitative performance criteria for end-March 2009 but some structural measures were delayed** (MEFP Tables 1 and 2). The credit reference bureau did not become operational until mid-July due to a delay in the passage of legislation to allow banks to share customer information. Quarterly balance of payments data for the fourth quarter of 2008 were prepared by end-March 2009 but published only in May.

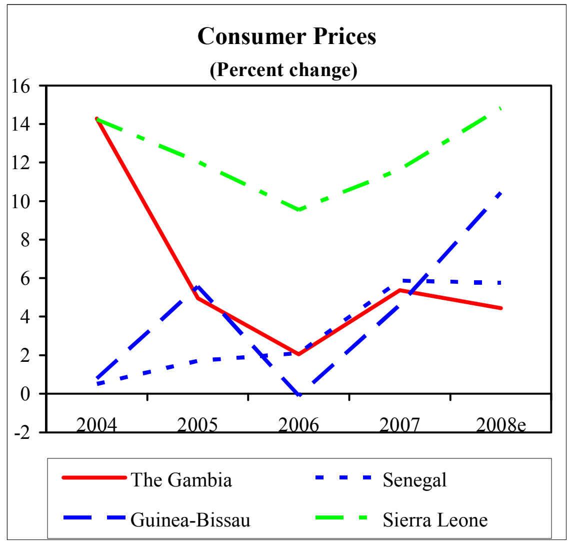
10. **Structural conditions through June 2009 have also been met**, among them (i) a performance criterion requiring the government to set a timetable for settling net claims with the National Water and Electricity Corporation (NAWEC) and (ii) a benchmark requiring the CBG to prepare pro forma financial statements for 2008 based on International Financial Reporting Standards.

Figure 2. The Gambia in Regional Perspective

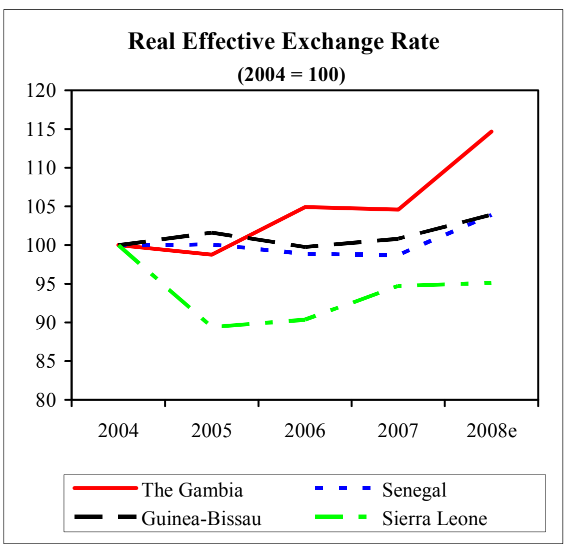
Growth in The Gambia compares favorably with other countries in the region …



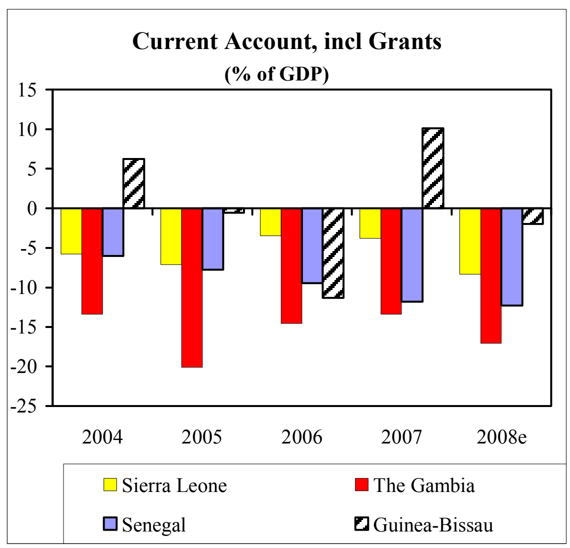
… and the authorities have made steady progress in reducing inflation.



But The Gambia has been losing competitiveness …



… and the current account has been widening.



Sources: Gambian authorities; and Fund staff estimates and projections.

III. Policy Discussions

A. Medium-Term Macroeconomic Framework

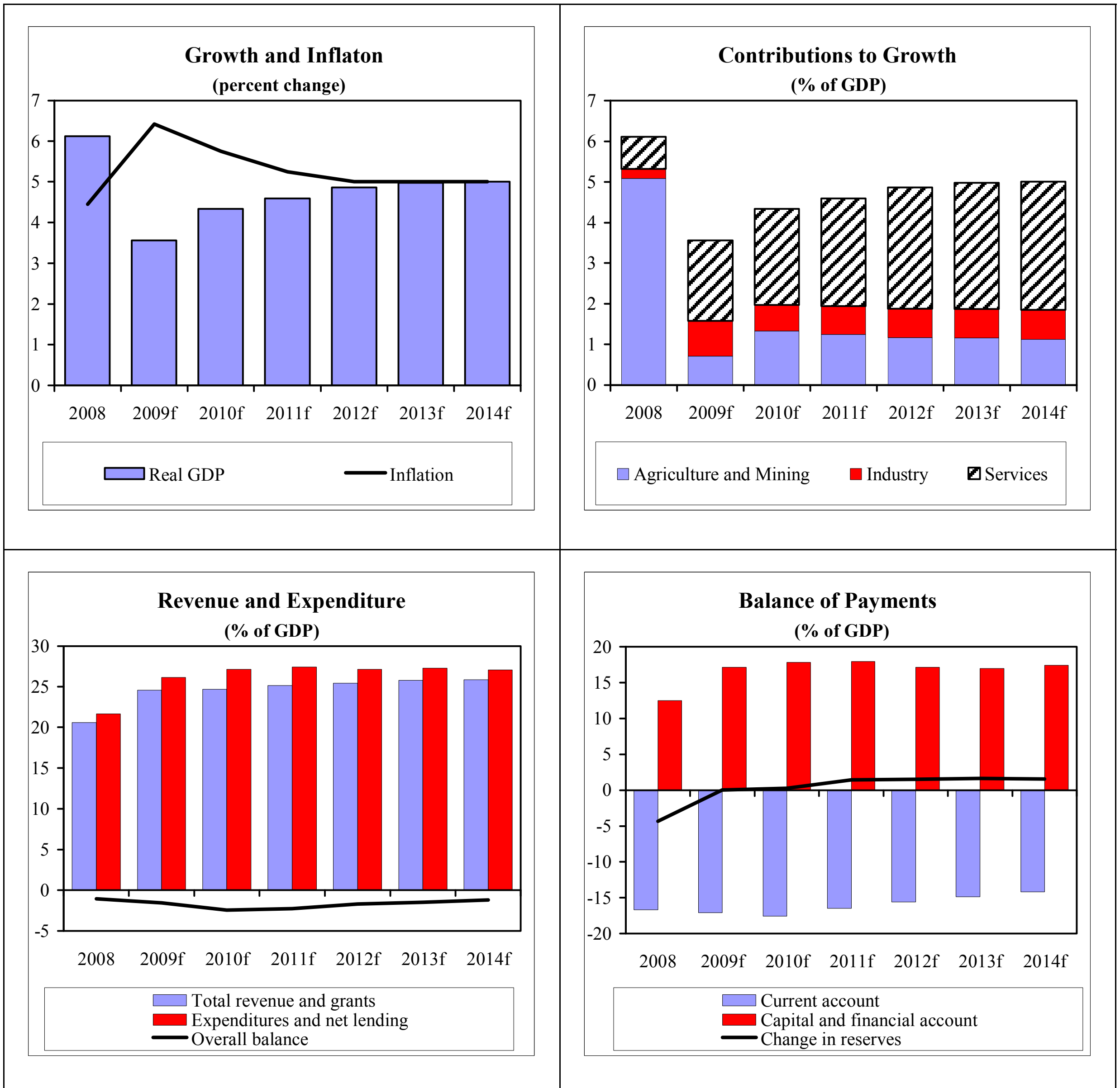
11. **The mission and the authorities discussed revisions to the medium-term macroeconomic framework** (Text Table and Figure 3). Revisions primarily affected growth and external balances. Growth is expected to be lower and the current account deficit wider than projected in the fourth review. Foreign direct investment, meanwhile, is expected to increase due to investment in the banking sector. Inflation, fiscal policy, and monetary policy are projected to be largely unchanged.

The Gambia. Macroframework Assumptions

	2009 Proj.	2010 Proj.	2011 Proj.	2012 Proj.	2013 Proj.	2014 Proj.
			(percent change)			
Real GDP growth	3.6	4.3	4.6	4.9	5.0	5.0
Consumer prices (average)	6.4	5.7	5.3	5.0	5.0	5.0
			(percent of GDP)			
Fiscal basic balance	0.1	0.6	0.7	1.3	1.5	1.5
Overall fiscal balance	-1.5	-2.5	-2.3	-1.7	-1.5	-1.2
Gross interest bearing domestic debt	22.7	20.7	18.6	16.2	14.0	12.1
Current account balance	-17.1	-17.6	-16.5	-15.6	-14.9	-14.2
Grants (program and project)	5.2	4.9	4.9	4.7	4.5	4.5
External debt	43.6	44.6	45.4	45.7	45.5	44.5
Gross international reserves (months of imports)	4.7	4.5	4.7	5.0	5.1	5.2

Source: Fund staff estimates and projections.

Figure 3. The Gambia: Medium-Term Outlook



Sources: Gambian authorities; and Fund staff estimates and projections.

B. Fiscal Policy

12. **The program targets a steady reduction in domestic debt and hence small surpluses in the basic balances for 2009 and 2010 (which exclude externally financed spending),** (Tables 2 and 3). After weak performance in the fourth quarter of 2008, improved revenues and spending restraint in the first quarter of 2009 caused the basic balance to

rebound. As a result, the government met its March target for the basic balance by a comfortable margin. Taxes on petroleum products have been above budget.[1] The government and the mission agreed, however, that the overall revenue target for 2009 should remain unchanged because of uncertainties in the outlook. Projected grants for 2009 (US$37.6 million) have increased because budget support from the AfDB is $1.5 million higher than previously assumed, and project grant disbursements were accelerated.

13. **Discussions focused on how to maintain fiscal discipline and manage possible risks**. The authorities reiterated their commitment to meet the quantitative targets for end-September. If revenues for the year are higher than budgeted, the government plans to increase social spending on the poor and further reduce domestic debt; if they are lower, spending will be cut. The mission recommended the government reduce non-priority expenditures on goods and services and subsidies and transfers that do not target the poor.

14. **Over the medium-term, the government plans to reform the tax system, reform the civil service, and improve the investment climate**. After receiving technical assistance from the IMF on tax policy, it is considering lowering tax rates, broadening the tax base, and perhaps adopting a value-added tax (VAT). To protect the budget, the mission advocated shifting from a fixed retail price for petroleum products to more flexible pricing and a revenue-neutral excise tax. However, the government is not in favor of this proposal at this time. Reforms to make the civil service more efficient continue; the government hopes to implement a postponed increase in civil service wages in 2010. It is also revising the customs and investment acts to reduce the multiplicity of taxes and improve the investment climate.

15. **The government signed a memorandum of understanding with the National Water and Electricity Corporation (NAWEC) to repay D67 million (⅓ percent of GDP) in outstanding bills**. This fulfilled a structural performance criterion set for June 2009.

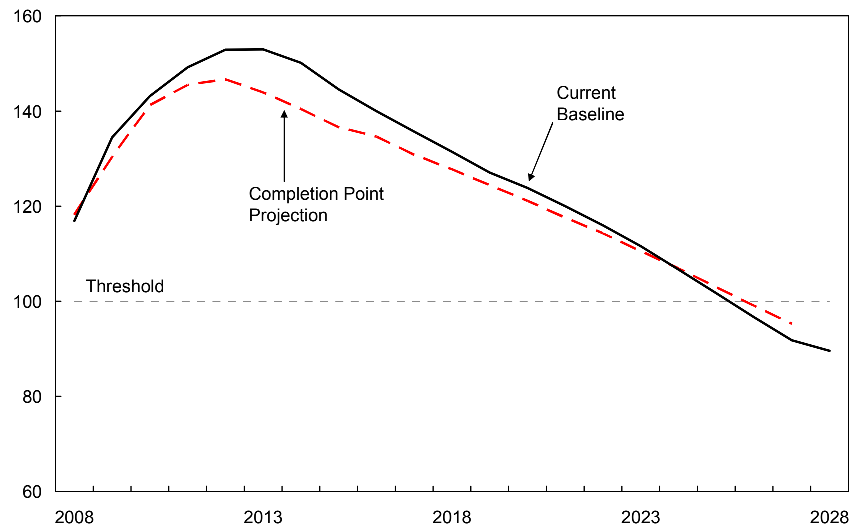
C. Debt Sustainability

16. **Debt indicators have deteriorated since the last review and The Gambia remains at high risk of debt distress**. Debt remains high in relation to exports as projected exports are lower (Box 1). Moreover, the depreciation of the dalasi against the dollar since the last review has caused a 20 percent fall in GDP measured in dollars. The NPV of debt-to-GDP ratio has increased by a corresponding amount and could come close to its threshold of 30 percent in the medium term. In contrast, the domestic debt situation has been improving. Primary basic surpluses of 4–6 percent of GDP projected over the medium term are expected to cut interest bearing domestic debt from 25 to 12 percent of GDP over the next five years.

[1] Because the government fixes pump prices of petroleum products, a drop in the world price increases tax collections.

17. **The authorities agreed it is urgent to prepare a national debt strategy by end-September 2009**. The AfDB has provided an expert and the mission provided advice on debt strategies, noting what has worked in other African countries. The mission urged the authorities, to the extent possible, to rely on grants to finance development.

Figure 4. The Gambia: PV of Debt to Exports Ratio



Box 1: Why is The Gambia Still at High Risk of Debt Distress?

Despite reaching the HIPC completion point and receiving MDRI assistance, The Gambia is still at high risk of debt distress. Under the LIC-DSF The Gambia is considered a weak performer. Given current borrowing plans, the PV of debt-to-export ratio is projected to remain above the relevant low-income vulnerability threshold of 100 percent by a significant margin for the foreseeable future (see Figure 4). The PV of debt to GDP ratio is also approaching its 30 percent threshold.

This high level of debt reflects economic developments since the HIPC Decision Point in 1999. These include relatively weak export performance, significant new borrowing, and changes in exchange rates. At the time of the completion point in 2007, HIPC relief reduced the PV debt to exports ratio to 243 percent. Although this was in excess of the original target of 150 percent, The Gambia was judged by the Executive Board to be ineligible for topping-up as the deterioration in debt indicators compared to expectations at the decision point was not primarily due to exogenous factors. After MDRI, The Gambia's PV of debt to export ratio was reduced to 113 percent.

Since the HIPC completion point, the Gambia has borrowed US$37 million, and exports have grown by an average of 3½ percent a year. As a result the PV of debt-to-exports ratio has increased to 135 percent, and the PV debt to GDP ratio has increased to 26¼ percent.

The debt burden indicators above assume that The Gambia is able to secure HIPC assistance from all its creditors. Bilateral agreements have been signed with the multilaterals, Paris Club creditors, and Kuwait but agreements are still pending with ECOWAS, Saudi Arabia, Taiwan Province of China, Libya, and China. If The Gambia is unable to secure agreement from its remaining creditors, debt burden indicators would be commensurately higher. The staff has therefore stressed to the authorities the importance of vigorously seeking HIPC relief from all bilateral creditors, as well as finalizing a debt management strategy that would aim to contain the debt burden over time to levels consistent with the LIC-DSF.

D. Monetary, Financial, and Exchange Rate Policies

18. **Discussing the fall in reserves in late 2008, the mission advised the CBG to limit intervention to safeguard official reserves**. De jure Gambia has a floating exchange rate regime, with intervention limited to smoothing short-term volatility. During November and December 2008, the CBG sold to domestic banks foreign exchange equivalent to 10 percent of reserve money. The CBG argued that low liquidity in the interbank foreign exchange market necessitated the intervention but agreed that with reserves now lower, future intervention on a similar scale would be inadvisable. Given that reserves are relatively low

and that use of SDRs entails interest payments at nonconcessional rates, the CBG intends to allow official reserves to increase by the full amount of any SDR allocation (MEFP ¶24).[2]

19. **Government borrowing has pushed up treasury bill rates**. The 12-month bill discount rate in April 2009 reached about 15 percent, close to the rediscount rate. Nonetheless, many t-bill auctions were undersubscribed over the last 12 months.

20. **The mission recommended that the government borrow less from the central bank**. The normal limit established in the Central Bank Act, which restricts net credit to the government to 10 percent of the previous year's revenue, was breached in December 2008. The Governor and the Minister of Finance signed a memorandum in January 2009 temporarily raising the borrowing limit to 20 percent, on an exceptional basis. The mission urged the government to reduce its overdraft back to the normal limit in the next few months.

21. **The mission expressed concern about the rapid expansion of the banking sector and the risk that the quality of oversight would decline**. In 2008, four new commercial banks opened, and five more are expected in 2009. The increase has been driven by the entry of regional banks seeking to expand their international networks. Of the eleven banks in operation at end-2008, seven reported profits. The return on assets of the sector decreased from 1.75 in 2007 to 1.22 percent in 2008 and nonperforming loans rose to constitute 9.5 percent of loans assets at end-2008. All banks remain well capitalized. The service sectors account for about a third of all outstanding loans. The entry of new banks is stretching the CBG's supervision capacity. The CBG plans to increase minimum capital requirements and strengthen its supervision department. The minimum capital requirement for commercial banks is increasing from D60 million in 2009 to D150 million effective December 31, 2010, and then to D200 million effective December 31, 2012. The new requirement applies immediately to all newly established banks.[3]

E. Promoting Growth and Reducing Poverty

22. **Despite increased government spending to reduce poverty, its incidence remains high**. Between 2006 and 2008 poverty-reducing expenditures increased from 37 to 47 percent of discretionary expenditures. Nonetheless, recent estimates suggest 58 percent of Gambians live on less than a dollar per day. The authorities cite inadequate external funding for implementing the Poverty Reduction Strategy Paper II (PRSP II) as a major constraint. They also underscored the need for enhanced investment in agriculture, which is critical to reducing poverty and attaining the Millennium Development Goals.

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[2] An adjuster has been added to the TMU (¶15) to raise the performance criterion for net international reserves by the full amount of an SDR allocation.

[3] This is also reflected in the strong performance of the financial account in 2009.

F. Risks

23. **The main economic risks to the program are:**

- *Greater than expected impact of the global economic crisis.* If tourism or remittances fall further than expected, growth in 2009 and 2010 could fall similarly.

- *Fiscal shock*. If the improvement in revenues is not sustained or the government spends more than budgeted, the fiscal balance could deteriorate, causing larger fiscal deficits, higher public debt, and upward pressure on domestic interest rates.

- *Shortfall in external assistance.* Reduction or delays in disbursements could undermine growth and poverty-reducing spending.

- *Inadequate capacity.* The government's capacity to formulate and implement policy is poor. Civil service reform is vital to address this issue.

G. Program Monitoring

24. **The current PRGF arrangement will end in February 2010; remaining structural benchmarks focus on public financial management, debt strategy, and statistics.** These include: (i) auditing government accounts to improve fiscal accountability, (ii) preparing a national debt strategy to address The Gambia's high risk of debt distress, and (iii) publishing balance of payments statistics.

Structural Benchmarks, July-December 2009

Measure	Target date	Macro rationale
Public financial management and accountability		
1. Auditing of government accounts: submit to the national assembly audited government accounts for 2005, 2006, and 2007	End-Sept 2009	To improve fiscal accountability and control.
2. Prepare a national debt strategy after receiving TA	End-Sept 2009	To promote debt sustainability.
Statistics		
3. Publish quarterly balance of payments statistics, with a one quarter lag	(i) End-Sept 2009 (2009 Q2 data) (ii) End-Dec 2009 (2009 Q3 data)	To facilitate policy formulation through timely provision of economic statistics.

IV. Staff Appraisal

25. **Performance on the program has been satisfactory.** All quantitative performance criteria for end-March 2009 were achieved, and all structural measures for end-March and end-June 2009 were implemented, though some with a delay. Staff support the authorities' request for a waiver for the nonobservance of the performance criteria on making the credit reference bureau operational; it was first necessary to pass legislation allowing banks to exchange information. This legislation was enacted in July 2009.

26. **Prudent budget implementation in early 2009 has allowed for a reduction in domestic debt.** Revenues are consistent with projections, while expenditures have been curtailed to ensure that borrowing is as planned. Receipts from the taxation of petroleum products have exceeded budget projections in part because local prices have not been reduced as international oil prices declined. The authorities should consider moving to more flexible pricing for petroleum products while introducing an excise tax to give more stability to the flow of revenues. Staff urged the authorities to reduce government borrowing from the central bank to the normal limit established in the Central Bank Act as soon as possible.

27. **Although reserves plunged at the end of 2008, the CBG has achieved its end-March targets for net international reserves**. Staff advised the authorities to intervene only to smooth exchange rate volatility and welcomed their intention to use an SDR allocation to increase gross reserves.

28. **Even after the recent HIPC and MDRI debt relief, The Gambia remains at high risk of debt distress**. It is critical for the authorities to draft a medium-term debt management strategy that sets clear goals for reducing debt ratios—limiting external borrowing to highly concessional loans and stepping up efforts to seek grants to finance the Poverty Reduction Strategy.

Table 1. The Gambia: Selected Economic Indicators

	2006 Act.	2007 Act.	2008 4th Rev.	2008 Act.	2009 4th Rev.	2009 Proj.	2010 Proj.
National account and prices	(Percent change; unless otherwise indicated)						
Nominal GDP (millions of dalasi)	14,266	16,192	17,959	18,001	20,061	19,944	21,908
Nominal GDP	8.2	13.5	10.9	11.2	11.7	10.8	9.8
GDP at constant prices	6.5	6.3	5.9	6.1	4.6	3.6	4.3
GDP deflator	1.6	6.8	4.8	4.8	6.8	7.0	5.3
Consumer prices (average)	2.1	5.4	4.5	4.5	6.4	6.4	5.7
Consumer prices (end of period)	0.4	6.0	6.8	6.8	6.0	6.0	5.5
External sector							
Exports, f.o.b.	3.9	8.8	-6.9	-5.4	0.9	-1.0	2.2
Of which: domestic exports	143.9	-27.9	0.9	0.9	2.7	2.7	12.0
Imports, f.o.b.	-0.6	18.4	13.7	15.8	-2.4	-8.6	8.2
Terms of trade (deterioration -)	-4.4	-6.1	-16.2	-16.2	-0.8	-0.8	1.7
Nominal exchange rate change (depreciation -)	0.5	7.6	…	15.4	…	…	…
Real effective exchange rate (depreciation -)	-0.5	9.7	…	14.9	…	…	…
Money and credit	(Percent change; in beginning-of-year broad money)						
Broad money	26.2	6.7	11.9	18.4	5.7	10.9	10.8
Net foreign assets	17.8	-3.5	-2.4	-6.6	-4.7	3.4	3.1
Net domestic assets	8.5	10.1	14.3	25.0	10.4	7.5	7.6
Credit to the government (net)	11.9	-4.1	8.0	17.8	6.3	-1.0	0.0
Credit to the private sector (net)	8.3	4.8	1.9	6.8	3.8	4.1	4.6
Other items (net)	-11.8	9.9	4.1	-2.0	0.1	4.3	2.8
Velocity	2.1	2.2	1.9	2.1	2.1	2.1	2.1
Interest rate (in percent)	10.7	11.5	11.5	11.8	...	...	...
Central government budget	(In percent of GDP)						
Domestic revenues	21.2	21.4	18.6	19.4	19.3	19.4	19.8
Grants	1.3	1.2	1.1	1.4	4.0	5.2	4.9
Total expenditure and net lending	29.5	22.4	21.2	23.0	26.5	26.1	27.1
Overall balance	-7.8	0.5	-1.5	-2.2	-3.2	-1.6	-2.5
Basic balance	2.1	3.8	0.2	-0.7	0.2	0.1	0.5
Net foreign financing	6.1	1.0	0.2	0.2	3.4	2.2	3.0
Net domestic financing	1.7	-1.4	1.3	2.1	-0.2	-0.6	-0.5
Stock of domestic public debt	32.1	28.1	25.5	25.4	22.5	22.8	20.8
External sector							
Current account balance							
Excluding official transfers	-14.7	-13.5	-17.1	-17.1	-17.3	-19.3	-19.2
Including official transfers	-14.6	-13.4	-16.0	-16.7	-13.2	-17.1	-17.6
Current account balance	(Millions of U.S. dollars, unless otherwise indicated)						
Excluding official transfers	-74.6	-88.1	-135.9	-138.7	-147.0	-140.0	-145.5
Including official transfers	-74.0	-87.3	-127.2	-135.1	-112.6	-124.1	-133.6
Overall balance of payments	26.0	34.0	-35.0	-35.3	-15.3	0.2	1.7
Gross official reserves	118.6	141.6	112.6	112.6	103.3	128.3	133.1
in months of imports, c.i.f.	5.5	5.5	3.9	3.8	3.6	4.7	4.5
External public debt							
Stock	676.7	299.4	311.4	300.7	349.2	316.4	338.8
Stock (percent of GDP)	133.1	46.0	39.1	37.1	41.1	43.6	44.6
Use of Fund resources	(Millions of SDRs)						
Purchases	0.0	4.0	4.0	4.0	4.0	10.2	2.0
Repurchases	-2.7	-11.2	0.0	0.0	0.0	0.0	0.0

Sources: Gambian authorities; and Fund staff estimates and projections.

Table 2. The Gambia: Fiscal Operations of the Central Government
'(In millions of local currency)

	2006 Act.	2007 Act.	2008 4th Rev.	2008 Act.	2009 4th Rev.	2009 Proj.	2010 Prog.
Total revenue and grants	3,203	3,663	3,540	3,745	4,682	4,897	5,400
Revenue	3,024	3,468	3,344	3,500	3,870	3,865	4,334
Tax revenue	2,678	3,037	3,001	3,146	3,491	3,520	3,942
Taxes on income, profits, and capital gains	803	884	1,070	1,125	1,210	1,212	1,371
Domestic taxes on goods and services	1,124	1,345	1,258	1,313	1,369	1,439	1,610
Taxes on international trade and transactions	751	808	673	708	912	869	960
Non-tax	346	431	343	354	380	345	392
Grants	180	194	196	244	811	1,033	1,067
Budget support	17	20	35	79	298	436	344
Project grants	163	174	161	166	513	597	723
Expenditures and net lending	4,211	3,635	3,805	4,139	5,326	5,211	5,945
Current expenditures	2,584	2,586	2,956	3,186	3,429	3,449	3,656
Wages and salaries	653	680	954	983	1,034	1,034	1,205
Other charges	1,010	1,091	1,288	1,489	1,586	1,586	1,655
Interest	921	815	714	713	808	828	796
External	232	231	149	154	147	165	182
Domestic	689	584	565	560	661	663	613
Capital expenditure	1,564	973	755	857	1,840	1,706	2,214
Foreign financed	1,487	780	497	505	1,492	1,358	1,732
Gambia local fund (GLF)	77	192	257	352	348	348	482
Net lending	63	76	95	96	57	57	76
Overall balance (excl. statistical discrepancy)	-1,008	28	-265	-394	-644	-314	-545
Statistical discrepancy [1]	-104	48	-1	-11	0	0	0
Overall balance	-1,112	76	-266	-405	-644	-314	-545
Financing	1,112	-76	266	405	644	314	545
External financing (net)	876	158	30	30	676	431	647
Borrowing	1,308	586	337	340	979	761	1,009
Amortization [2]	-477	-428	-307	-310	-303	-330	-363
Domestic financing (net)	236	-234	236	375	-32	-117	-102
Net borrowing	334	-514	453	585	-87	-147	-69
Bank	231	-68	750	1,044	100	-100	4
Nonbank	103	-267	-206	-369	-70	70	4
Repayment of domestic debt	0	-179	-92	-89	-117	-117	-77
Capital revenue	110	24	0	0	24	24	0
Change in arrears (- = decrease)	-209	-369	-217	-210	0	-33	-33
Privatization proceeds	0	626	0	0	31	38	0
Memorandum items:							
Basic balance [3]	300	614	36	-133	37	11	120
Basic primary balance [4]	1,221	1,429	749	580	845	839	916
Gross domestic interest bearing debt	4,582	4,546	4,571	4,571	4,521	4,542	4,550
Stock of arrears [5]	562	192	0	0	0	0	0
Stock of HIPC and MDRI debt relief							
Of which: IMF		336					
IDA		4,652					
AfDF		3,518					
Resources freed by debt relief		108	502	495	518	603	632
Amortization		101	384	378	406	472	506
Interest payments		7	118	116	112	130	126
Uses of resources freed by debt relief		108	502	495	518	603	632
Current expenditures		0	129	129	131	131	138
Capital expenditures		0	194	194	220	220	207
Savings		108	179	172	167	252	287
Expenditures financed by privatization receipts		159	391	391	109	107	0

Sources: Gambian authorities; and Fund staff estimates and projections.

[1] The difference between financing and the overall balance of revenue and expenditures.
[2] After MDRI debt relief from 2007 onward.
[3] Domestic revenue - expenditure and net lending, excluding externally financed capital spending.
[4] Domestic revenue - expenditure and net lending, excluding interest payments and externally financed capital spending.
[5] Change in arrears for 2008 includes an additional D25 million for repayments to the National Water and Electricity Company (NAWEC).

Table 3. The Gambia: Fiscal Operations of the Central Government
(In percent of GDP)

	2006 Act.	2007 Act.	2008 4th Rev.	2008 Act.	2009 4th Rev.	2009 Proj.	2010 Proj.
Total revenue and grants	22.5	22.6	19.7	20.8	23.3	24.6	24.7
Revenue	21.2	21.4	18.6	19.4	19.3	19.4	19.8
Tax Revenue	18.8	18.8	16.7	17.5	17.4	17.6	18.0
Non-tax	2.4	2.7	1.9	2.0	1.9	1.7	1.8
Grants	1.3	1.2	1.1	1.4	4.0	5.2	4.9
Budget support	0.1	0.1	0.2	0.4	1.5	2.2	1.6
Project grants	1.1	1.1	0.9	0.9	2.6	3.0	3.3
Expenditures and net lending	29.5	22.4	21.2	23.0	26.5	26.1	27.1
Current expenditures	18.1	16.0	16.5	17.7	17.1	17.3	16.7
Wages and salaries	4.6	4.2	5.3	5.5	5.2	5.2	5.5
Other charges	7.1	6.7	7.2	8.3	7.9	8.0	7.6
Interest	6.5	5.0	4.0	4.0	4.0	4.2	3.6
External	1.6	1.4	0.8	0.9	0.7	0.8	0.8
Domestic	4.8	3.6	3.1	3.1	3.3	3.3	2.8
Capital expenditure	11.0	6.0	4.2	4.8	9.2	8.6	10.1
Foreign financed	10.4	4.8	2.8	2.8	7.4	6.8	7.9
Domestic financed	0.5	1.2	1.4	2.0	1.7	1.7	2.2
Net lending	0.4	0.5	0.5	0.5	0.3	0.3	0.3
Overall balance (excl. statistical discrepancy)	-7.1	0.2	-1.5	-2.2	-3.2	-1.6	-2.5
Statistical discrepancy [1]	-0.7	0.3	0.0	-0.1	0.0	0.0	0.0
Overall balance	-7.8	0.5	-1.5	-2.2	-3.2	-1.6	-2.5
Financing	7.8	-0.5	1.5	2.2	3.2	1.6	2.5
External financing (net)	6.1	1.0	0.2	0.2	3.4	2.2	3.0
Borrowing	9.2	3.6	1.9	1.9	4.9	3.8	4.6
Amortization [2]	-3.3	-2.6	-1.7	-1.7	-1.5	-1.7	-1.7
Domestic financing (net)	1.7	-1.4	1.3	2.1	-0.2	-0.6	-0.5
Net borrowing	2.3	-3.2	2.5	3.3	-0.4	-0.7	-0.3
Bank	1.6	-0.4	4.2	5.8	0.5	-0.5	0.0
Nonbank	0.7	-1.6	-1.1	-2.1	-0.3	0.4	0.0
Repayment of domestic debt	0.0	-1.1	-0.5	-0.5	-0.6	-0.6	-0.3
Capital revenue	0.8	0.1	0.0	0.0	0.1	0.1	0.0
Change in arrears (- = decrease)	-1.5	-2.3	-1.2	-1.2	0.0	-0.2	-0.2
Privatization proceeds	0.0	3.9	0.0	0.0	0.2	0.2	0.0
Memorandum items:							
Basic balance [3]	2.1	3.8	0.2	-0.7	0.2	0.1	0.5
Basic primary balance [4]	8.6	8.8	4.2	3.2	4.2	4.2	4.2
Gross domestic interest bearing debt	32.1	28.1	25.5	25.4	22.5	22.8	20.8
Stock of arrears [5]	3.9	1.2	0.0	0.0	0.0	0.0	0.0
Stock of HIPC and MDRI debt relief							
Of which: IMF		2.1					
IDA		28.7					
AfDF		21.7					
Resources freed by debt relief		0.7	2.8	2.7	2.6	3.0	2.9
Amortization		0.6	2.1	2.1	2.0	2.4	2.3
Interest payments		0.0	0.7	0.6	0.6	0.7	0.6
Uses of resources freed by debt relief		0.7	2.8	2.7	2.6	3.0	2.9
Current expenditures		0.0	0.7	0.7	0.7	0.7	0.6
Capital expenditures		0.0	1.1	1.1	1.1	1.1	0.9
Savings		0.7	1.0	1.0	0.8	1.3	1.3
Expenditures financed by privatization receipts		1.0	2.2	2.2	0.5	0.5	0.0

Sources: Gambian authorities; and Fund staff estimates and projections.

[1] The difference between financing and the overall balance of revenue and expenditures.
[2] After MDRI debt relief from 2007 onward.
[3] Domestic revenue - expenditure and net lending, excluding externally financed capital spending.
[4] Domestic revenue - expenditure and net lending, excluding interest payments and externally financed capital spending.
[5] Change in arrears for 2008 includes an additional D25 million for repayments to the National Water and Electricity Company (NAWEC).

Table 4. The Gambia: Monetary Accounts 1/
'(In millions of local currency; unless otherwise indicated)

	2006 Act.	2007 Act.	2008 4th Rev.	2008 Act.	2009 4th Rev.	2009 Proj.	2010 Proj.
	I. Depository Corporation Survey						
Net foreign assets	4,292	4,022	3,825	3,476	3,392	3,812	4,152
Net domestic assets	3,466	4,252	5,432	6,320	6,391	7,057	7,885
Domestic credit	4,184	4,200	5,042	6,436	5,990	7,197	7,766
Claims on central government (net)	1,504	1,189	1,851	2,661	2,433	3,003	3,047
Claims on other public sector 2/	268	229	251	428	264	450	472
Claims on private sector	2,413	2,783	2,939	3,347	3,293	3,745	4,247
Other items (net) 3/	-719	51	390	-116	402	-140	119
Broad money	7,758	8,274	9,257	9,796	9,784	10,869	12,037
Currency outside banks	1,937	1,689	1,880	1,833	1,987	2,034	2,252
Deposits	5,820	6,585	7,377	7,963	7,797	8,835	9,785
	II. Central Bank						
Net foreign assets	2,828	3,049	2,715	2,715	2,132	2,946	3,176
Foreign assets	3,327	3,192	3,042	3,042	2,569	3,610	3,931
Foreign liabilities	-499	-142	-327	-327	-437	-664	-756
Net domestic assets	39	-305	188	188	833	160	293
Domestic credit	-239	-903	-345	157	259	-63	-108
Claims on central government (net)	-623	-1,294	-701	-219	-65	-442	-486
Claims on banks (net)	34	34	34	45	34	45	45
Claims on private sector	214	220	220	229	222	231	230
Claims on public enterprises	137	137	103	103	68	103	103
Other items (net) 3/	277	599	533	31	574	223	402
Reserve money	2,866	2,745	2,902	2,902	2,965	3,105	3,469
Currency outside banks	1,937	1,689	1,880	1,833	1,987	2,034	2,252
Commercial bank deposits	929	1,055	1,022	1,069	978	1,072	1,217

Sources: Gambian authorities; and Fund staff estimates and projections.

1/ End of period
2/ Include public enterprises and the local government.
3/ Including valuation.

Table 5. The Gambia: Monetary Accounts 1/

	2006 Act.	2007 Act.	2008 4th Rev.	2008 Act.	2009 4th Rev.	2009 Proj.	2010 Proj.
	I. Monetary Survey (Percent change; in beginning of period broad money)						
Net foreign assets	17.8	-3.5	-2.4	-6.6	-4.7	3.4	3.1
Net domestic assets	8.5	10.1	14.3	25.0	10.4	7.5	7.6
Domestic credit	20.3	0.2	10.2	27.0	10.2	7.8	5.2
Claims on central government (net)	11.9	-4.1	8.0	17.8	6.3	3.5	0.4
Claims on other public sector 2/	0.1	-0.5	0.3	2.4	0.1	0.2	0.2
Claims on private sector	8.3	4.8	1.9	6.8	3.8	4.1	4.6
Other items (net) 3/	-11.8	9.9	4.1	-2.0	0.1	-0.2	2.4
Broad money	26.2	6.7	11.9	18.4	5.7	10.9	10.8
Currency outside banks	8.3	-3.2	2.3	1.7	1.2	2.0	2.0
Deposits	17.9	9.9	9.6	16.7	4.5	8.9	8.7
	II. Central Bank (Percent change; in beginning of period monetary base)						
Net foreign assets	30.1	7.7	-12.2	-12.2	-20.1	8.0	7.4
Foreign assets	26.4	-4.7	-5.5	-5.5	-16.3	19.6	10.3
Foreign liabilities	3.8	12.4	-6.7	-6.7	-3.8	-11.6	-2.9
Net domestic assets	-5.9	-12.0	17.9	17.9	22.2	-1.0	4.3
Domestic credit	15.8	-23.2	20.3	38.6	20.8	-7.6	-1.4
Claims on central government (net)	15.8	-23.4	21.6	39.2	21.9	-7.7	-1.4
Claims on banks (net)	0.0	0.0	0.0	0.4	0.0	0.0	0.0
Claims on private sector	0.0	0.2	0.0	0.3	0.1	0.1	0.0
Claims on public enterprises	0.0	0.0	-1.2	-1.2	-1.2	0.0	0.0
Other items (net) 3/	-21.7	11.2	-2.4	-20.7	1.4	6.6	5.8
Reserve money	24.3	-4.3	5.7	5.7	2.2	7.0	11.7
Currency outside banks	22.2	-8.7	6.9	5.2	3.7	6.9	7.0
Commercial bank deposits	2.0	4.4	-1.2	0.5	-1.5	0.1	4.7

Sources: Gambian authorities; and Fund staff estimates and projections.

1/ End of period

2/ Include public enterprises and the local government.

3/ Including valuation.

Table 6. The Gambia: Balance of Payments
'(In millions of U.S. dollars; unless otherwise indicated)

	2006 Act.	2007 Act.	2008 4th Rev.	2008 Act.	2009 4th Rev.	2009 Proj.	2010 Proj.
1. Current account							
A. Goods and services	**-87.6**	**-105.3**	**-149.3**	**-155.1**	**-159.6**	**-149.6**	**-159.3**
Trade balance	-138.1	-171.5	-213.7	-218.0	-205.7	-192.6	-213.4
Exports, f.o.b.	84.0	91.4	85.1	86.5	85.9	85.6	87.5
Imports, f.o.b	-222.2	-262.9	-298.9	-304.4	-291.7	-278.2	-300.9
Of which: oil	-16.1	-28.5	-38.7	-38.7	-24.5	-22.5	-26.0
Services (net)	50.6	66.3	64.5	62.9	46.2	43.0	54.1
B. Income (net)	**-48.0**	**-46.8**	**-45.9**	**-45.9**	**-43.0**	**-43.0**	**-41.2**
C. Current transfers	**61.6**	**64.8**	**68.0**	**65.8**	**68.3**	**68.5**	**66.9**
Remittances	51.6	52.5	50.8	53.8	46.0	43.0	45.2
Private transfers	9.3	11.5	8.5	8.5	9.6	9.6	9.8
Official transfers	0.6	0.8	8.7	3.5	12.7	15.9	11.9
Current account (excl. official transfers)	**-74.6**	**-88.1**	**-135.9**	**-138.7**	**-125.3**	**-140.0**	**-145.5**
Current account (incl. official transfers)	**-74.0**	**-87.3**	**-127.2**	**-135.1**	**-112.6**	**-124.1**	**-133.6**
2. Capital and financial account							
A. Capital account	**17.3**	**386.5**	**6.6**	**14.1**	**21.8**	**27.7**	**30.4**
B. Financial account	**77.5**	**-263.6**	**85.6**	**87.0**	**91.3**	**96.5**	**104.9**
Foreign direct investment	74.2	80.6	70.1	70.0	61.1	72.8	71.0
Portfolio investment	1.1	-1.0	-10.1	-10.1	-6.4	-6.4	-6.2
Other investment	2.2	-343.2	25.6	27.2	36.6	30.1	40.2
Of which : Official loans (net)	26.9	6.4	1.3	1.3	28.7	15.7	22.4
Loans	43.9	23.6	14.9	15.3	41.5	27.7	35.0
Amortization	-17.0	-17.2	-13.6	-13.9	-12.8	-12.0	-12.6
Capital and financial account	**94.8**	**122.9**	**92.2**	**101.1**	**113.1**	**124.3**	**135.3**
Errors and omissions	5.3	-1.7	0.0	-1.3	0.0	0.0	0.0
Overall balance	**26.0**	**34.0**	**-35.0**	**-35.3**	**0.5**	**0.2**	**1.7**
Financing							
Net international reserves (increase -)	-26.0	-34.0	35.0	35.3	15.3	-0.2	-1.8
Change in gross international reserves	-22.0	-23.0	29.0	29.0	9.3	-15.7	-4.8
Use of IMF resources (net)	-4.0	-11.0	6.0	6.3	6.1	15.5	3.0
Disbursements	0.0	6.1	6.0	6.3	6.1	15.5	3.0
Repayments	-4.0	-17.1	0.0	0.0	0.0	0.0	0.0
Memorandum items:							
Gross International Reserves							
US$ millions	118.6	141.6	112.6	112.6	103.3	128.3	133.1
Months of imports	5.5	5.5	3.9	3.8	3.6	4.7	4.5
National currency per US dollar (average)	28.1	24.9	22.6	22.2	…	…	…
National currency per US dollar (end of period)	28.0	22.5	23.1	26.8	…	…	…

Sources: Gambian authorities; and Fund staff estimates and projections.

Table 7. The Gambia: Balance of Payments
(In percent of GDP)

	2006 Act.	2007 Act.	2008 4th Rev.	2008 Act.	2009 4th Rev.	2009 Proj.	2010 Proj.
1. Current account							
A. Goods and services	**-17.2**	**-16.2**	**-18.8**	**-19.2**	**-18.8**	**-20.6**	**-21.0**
Trade balance	**-27.2**	**-26.3**	**-26.9**	**-26.9**	**-24.2**	**-26.5**	**-28.1**
Exports, f.o.b.	16.5	14.0	10.7	10.7	10.1	11.8	11.5
Imports, f.o.b	-43.7	-40.4	-37.6	-37.6	-34.3	-38.3	-39.6
Of which: oil	-3.2	-4.4	-4.9	-4.8	-2.9	-3.1	-3.4
Services (net)	9.9	10.2	8.1	7.8	5.4	5.9	7.1
B. Income (net)	**-9.5**	**-7.2**	**-5.8**	**-5.7**	**-5.1**	**-5.9**	**-5.4**
C. Current transfers	**12.1**	**10.0**	**8.5**	**8.1**	**8.0**	**9.4**	**8.8**
Remittances	10.2	8.1	6.4	6.6	5.4	5.9	5.9
Private transfers	1.8	1.8	1.1	1.0	1.1	1.3	1.3
Official transfers	0.1	0.1	1.1	0.4	1.5	2.2	1.6
Current account (excl. official transfers)	**-14.7**	**-13.5**	**-17.1**	**-17.1**	**-14.7**	**-19.3**	**-19.2**
Current account (incl. official transfers)	**-14.6**	**-13.4**	**-16.0**	**-16.7**	**-13.2**	**-17.1**	**-17.6**
2. Capital and financial account							
A. Capital account	**3.4**	**59.4**	**0.8**	**1.7**	**2.6**	**3.8**	**4.0**
B. Financial account	**15.2**	**-40.5**	**10.8**	**10.7**	**10.7**	**13.3**	**13.8**
Foreign direct investment	14.6	12.4	8.8	8.6	7.2	10.0	9.3
Portfolio investment	0.2	-0.2	-1.3	-1.3	-0.8	-0.9	-0.8
Other investment	0.4	-52.7	3.2	3.4	4.3	4.1	5.3
Of which: Official loans (net)	5.3	1.0	0.2	0.2	3.4	2.2	3.0
Loans	8.6	3.6	1.9	1.9	4.9	3.8	4.6
Amortization	-3.3	-2.6	-1.7	-1.7	-1.5	-1.7	-1.7
Capital and financial account	**18.6**	**18.9**	**11.6**	**12.5**	**13.3**	**17.1**	**17.8**
Errors and omissions	1.0	-0.3	0.0	-0.2	0.0	0.0	0.0
Overall balance	**5.1**	**5.2**	**-4.4**	**-4.4**	**0.1**	**0.0**	**0.2**
Financing							
Net international reserves (increase -)	-5.1	-5.2	4.4	4.4	1.8	0.0	-0.2
Change in gross international reserves	-4.3	-3.5	3.6	3.6	1.1	-2.2	-0.6
Use of IMF resources (net)	-0.8	-1.7	0.8	0.8	0.7	2.1	0.4
Disbursements	0.0	0.9	0.8	0.8	0.7	2.1	0.4
Repayments	-0.8	-2.6	0.0	0.0	0.0	0.0	0.0
Memorandum items:							
Gross International Reserves							
US$ millions	118.6	141.6	112.6	112.6	103.3	128.3	133.1
Months of imports	5.5	5.5	3.9	3.8	3.6	4.7	4.5
National currency per US dollar	28.1	24.9	22.6	22.2	…	…	…

Sources: Gambian authorities; and Fund staff estimates and projections.

Table 8. The Gambia: Proposed Schedule of Disbursements

Timing	Disbursement SDRs	Percent of quota 1/	Conditions
February 21, 2007	2,000,000	6.43	Approval of the arrangement.
August 29, 2007	2,000,000	6.43	Completion of first review (end-March 2007 test date)
December 19, 2007	2,000,000	6.43	Completion of second review (end-September 2007 test date)
September 8, 2008	2,000,000	6.43	Completion of third review (end-March 2008 test date)
February 18, 2009 2/	5,110,000	16.43	Completion of fourth review (end-September 2008 test date)
August 7, 2009 2/	5,110,000	16.43	Completion of fifth review (end-March 2009 test date)
January 15, 2010	1,995,000	6.42	Completion of sixth review (end-September 2009 test date).
Total	20,215,000	65.00	

1/ The Gambia's quota is SDR 31.10 million.
2/ Disbursement for this date includes augmentation in the amount of SDR 3.11 million.

Table 9. The Gambia: Indicators of Capacity to Repay the Fund, 2007–15

	2007	2008	2009	2010	2011	2012	2013	2014	2015
			Projections						
Fund obligations based on existing credit (in millions of SDRs)									
Principal	11.8	0.0	0.0	0.0	0.0	0.2	1.0	2.1	2.6
Charges and interest	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Fund obligations based on existing and prospective credit 1/ (in millions of SDRs)									
Principal	11.8	0.0	0.0	0.0	0.0	0.2	1.0	2.1	3.6
Charges and interest	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total obligations based on existing and prospective credit 1/									
In millions of SDRs	11.9	0.0	0.1	0.1	0.1	0.3	1.1	2.2	3.8
In millions of US$	7.5	0.0	0.1	0.1	0.1	0.2	0.7	1.5	2.5
In percent of Gross International Reserves	5.3	0.0	0.1	0.1	0.1	0.1	0.4	0.8	1.3
In percent of exports of goods and services	4.9	0.0	0.1	0.1	0.1	0.1	0.4	0.8	1.2
In percent of debt service 2/	28.5	0.1	0.3	0.3	0.3	0.6	2.0	3.7	6.3
In percent of GDP	1.2	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.2
In percent of quota	38.2	0.1	0.4	0.5	0.5	1.1	3.7	7.2	12.1
Outstanding Fund credit 1/									
In millions of SDRs	4.0	8.0	18.2	20.2	20.2	20.0	19.0	16.9	13.3
In millions of US$	6.3	12.2	27.8	30.6	30.6	30.4	28.9	25.8	20.2
In percent of Gross International Reserves	4.5	10.8	21.6	23.0	21.2	19.4	17.0	14.2	10.4
In percent of exports of goods and services	4.1	8.1	19.6	20.7	19.7	18.4	16.2	13.6	9.9
In percent of debt service 2/	23.8	72.4	117.6	103.7	90.3	86.7	78.3	65.4	51.4
In percent of GDP	1.0	1.5	3.8	4.0	3.9	3.6	3.3	2.7	2.0
In percent of quota	12.9	25.7	58.6	65.0	65.0	64.4	61.1	54.4	42.7
Net use of Fund credit (millions of SDRs)	-7.8	4.0	10.2	2.0	0.0	-0.2	-1.0	-2.1	-3.6
Disbursements	4.0	4.0	10.2	2.0	0.0	0.0	0.0	0.0	0.0
Repayments and Repurchases	11.8	0.0	0.0	0.0	0.0	0.2	1.0	2.1	3.6
Memorandum items:									
Nominal GDP (in millions of US$)	650.9	809.6	726.2	759.8	794.3	835.1	882.3	944.2	1,011.5
Exports of goods and services (in millions of US$)	152.5	150.5	141.7	147.7	155.4	165.3	179.1	190.2	204.0
Gross International Reserves (in millions of US$)	141.6	112.6	128.3	133.1	144.5	156.9	169.9	181.4	193.7
Debt service (in millions of US$) 2/	26.5	16.8	23.6	29.5	33.9	35.1	37.0	39.4	39.3
Quota (millions of SDRs)	31.1	31.1	31.1	31.1	31.1	31.1	31.1	31.1	31.1

Sources: IMF staff estimates and projections.

1/ Includes prospective PRGF disbursements of SDR 6 million (19.29 percent of quota) and augmentation of SDR 6.22 million (20 percent of the quota).

2/ Total debt service includes IMF repurchases and repayments.

Banjul, The Gambia

July 20, 2009

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mr. Strauss-Kahn:

1. The Gambia's three-year Poverty Reduction and Growth Facility (PRGF) arrangement was approved by the IMF Executive Board in February 2007. The fourth review was completed on February 18, 2009. At the same time, the Board approved an augmentation of access under the current PRGF arrangement in the amount of SDR 6.22 million (20 percent of quota). The augmentation is being disbursed in two equal installments of SDR3.11 million each (the second at the completion of the fifth review). The attached Memorandum of Economic and Financial Policies (MEFP) reviews progress in implementing the Government's PRGF-supported program in the period to March 2009, and sets out the policies the Government will pursue during the remainder of the program.

2. Performance under the program has been satisfactory. All quantitative performance criteria for end-March 2009 were met. Making the credit reference bureau operational was a structural performance criterion for end-March 2009. The credit reference bureau became operational in July 2009. The delay was necessary to allow parliament to consider an amendment to the Banking Act to allow banks to share confidential customer data through the credit bureau. All the structural measures scheduled for completion by end-March 2009 have now been implemented. On that basis, we request a waiver for the nonobservance of the structural measure on making the credit reference bureau operational.

3. In support of our policies described in the MEFP, the Government of The Gambia requests completion of the fifth review and the sixth disbursement under the PRGF arrangement in an amount equivalent to SDR5.11 million (including an augmentation of SDR3.11 million).

4. The Government believes that the policies set forth in the attached MEFP are adequate to achieve the objectives of its program. However, stands ready to take any additional measures that may become appropriate to meet these objectives. The Gambia will consult with the IMF on adoption of these measures and in advance of any revisions to

policies contained in the MEFP, in accordance with the Fund's policies on such consultation. The sixth review under the PRGF arrangement is expected to be completed by end-January 2010.

5. The government intends to make the contents of this letter, the attached MEFP and Technical Memorandum of Understanding available to the public. Therefore, it authorizes the IMF to arrange for these documents to be posted on the IMF website following Executive Board conclusion of the review.

Sincerely yours,

/s/

Abdou Kolley
Minister
Ministry of Finance and Economic Affairs

/s/

Momodou Bamba Saho
Governor
Central Bank of The Gambia

Attachments: Memorandum of Economic and Financial Policies
Technical Memorandum of Understanding

MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES

I. INTRODUCTION

1. This memorandum updates the Government of The Gambia's economic and financial program under the three-year Poverty Reduction and Growth Facility (PRGF) arrangement with the International Monetary Fund (IMF). The program, which was approved by the Executive Board of the IMF in February 2007, aims at consolidating macroeconomic stability, fostering the conditions for sustaining high economic growth, and reducing poverty. The fourth review was completed on February 18, 2009.

II. RECENT ECONOMIC DEVELOPMENTS

2. The Gambia is experiencing a slowdown in growth. Although the domestic financial system has not been affected directly by the global financial crisis, the real and external sectors are adversely impacted. Recessions in Europe and the US have adversely affected tourism receipts and remittances. A rebound in agriculture cushioned the slowdown during 2008. Tourism, among the main drivers of growth in recent years, recorded negative growth rates, while the rate of growth in communication services decelerated during 2008.

3. Inflation has been edging upward, peaking at 7.0 percent in February 2009, mainly due to the lagged pass-through of the depreciation of the dalasi during 2008. Food price inflation remains above non-food inflation, reflecting the high import content of the food basket. The exchange rate and food import prices stabilized in early 2009 and annual inflation fell to 6.7 percent in April.

4. Reserve money grew by 5.7 percent in 2008, compared to a contraction of 4.3 percent in 2007, owing primarily to the strong growth in net credit to government, mainly during the last quarter. Broad money grew by 18.4 percent in 2008, reflecting in large part the expansion of domestic credit by 53 percent. Indications for early 2009 suggest that broad money growth will continue at a high level in 2009 as a result of strong demand for credit from the corporate sector. Monetary policy remained reasonably tight throughout 2008 and early 2009, and average interest rates on T-bills have been moving up toward 15 percent in the first half of 2009.

5. During the third and fourth quarters of 2008, the fiscal situation deteriorated. External shocks caused domestic tax revenues to drop by more than 2 percentage points of GDP in 2008 compared to 2007. On the expenditure side, current expenditures increased by 0.4 percent of GDP, while domestic capital spending increased by approximately 0.8 percent of GDP. As a result, the fiscal basic balance deteriorated significantly. In response, the government scaled back plans to increase wages and salaries and domestic capital spending in 2009.

6. In early 2009, revenues in all categories have shown signs of recovery. The decline in international tax receipts was partially offset because the depreciation of the currency caused the tax base, as measured in dalasi, to increase. In addition, revenues from petroleum products increased because the domestic retail price was held constant despite the significant fall in world prices. The Government had decided to provide implicit subsidies on domestic petroleum prices during the period of high world prices in the first half of 2008. When world prices fell in the second half of 2008, the government maintained domestic price levels as a buffer against future price increases in the world market and as a way of recovering part of the government subsidies. On the expenditure side, interest payments declined.

7. The government's economic program aims to reduce domestic debt and interest payments to create room for more investment and spending on the poor. Therefore, it targets surpluses on the fiscal basic balance averaging 1-2 percent over the medium-term. These surpluses are expected to reduce interest-bearing debt from 25 percent of GDP at end-2008 at an annual rate of 2 percent up to 2014.

8. During exceptional circumstances in early 2009, government borrowed from the Central Bank of the Gambia (CBG) beyond the statutory limit of 10 percent of tax revenue of the preceding year. An agreement between MoFEA and CBG, sanctioning a temporary borrowing limit of 20 percent, was signed on January 23, 2009. The government plans to reduce its borrowing from the CBG to below the statutory limit in the next few months.

9. The external position weakened during late 2008 and early 2009. Falling earnings from tourism and remittances caused an increase in the current account deficit, despite falling import prices for oil and food commodities. Re-exports continue to decline in part because The Gambia is implementing the ECOWAS common external tariffs structure. As a result of these factors, the current account deficit (including official transfers) increased from 13.4 percent of GDP in 2007 to 16.7 percent in 2008.

10. In the second half of 2008, the dalasi fell 17.8 percent against the US dollar and 8.7 percent against the euro but appreciated by 9.7 percent against the pound sterling. During November and December 2008, the CBG intervened by providing foreign exchange to the banking sector. Partly as a result of the intervention, official reserves dropped sharply during the final quarter of 2008, declining from 5.5 months of imports in September 2008 to 3.8 months in December 2008. At the end of March 2009, official reserves equaled 3.3 months of imports.

III. Performance Under the Program

11. All the quantitative performance criteria for end-March 2009 were met (Table 1). The indicative targets for December 2008 on net domestic assets of the central bank and net usable international reserves were missed, largely due to the impact of the global economic crisis on The Gambia. The government has since taken remedial action.

12. A structural performance criterion scheduled to be completed by end-March was not completed on time (Table 2). The credit reference bureau was staffed and its IT systems installed but it was not operational because the Financial Institutions Act (2003) had not been amended to allow for the sharing of information on bank clients. The Act has since been amended. The credit reference bureau became operational in July 2009. Quarterly balance of payments statistics were available on request at the end of March and were published in May 2009.

13. The government is working toward meeting the quantitative and structural targets for September 2009. It has reconciled the arrears and tax claims regarding the National Water and Electricity Corporation (NAWEC). An MOU has been signed between the government and NAWEC and a payments schedule has been agreed. The net arrears of D67 million will be repaid in two tranches, in 2009 and in 2010. Furthermore, the government has taken major steps toward preparing a national debt strategy. An expert funded by the African Development Bank has just completed a report on reconciling the external debt data and providing advice on appropriate strategy. The government expects to finalize the strategy by September 2009.

IV. MEDIUM-TERM OUTLOOK AND OBJECTIVES

14. Economic growth is expected to slow during 2009 as declines in tourism and remittances continue. Depending on the world economic climate, tourism revenues are expected to start improving in 2010. Growth in agriculture production during 2009 is expected to be modest due to the very high base achieved in 2008, when a favorable monsoon led to an exceptionally good harvest.

15. Inflation is projected to decline to 6 percent at the end of the year and fall further during 2010. The easing of inflationary pressures depends on stable commodity prices and exchange rates.

16. Fiscal performance for 2009 is expected to be consistent with budget projections. Tax revenues are expected to be boosted by an increase in international taxes, but this is likely to be offset by lower than projected nontax revenues. Grants will be provided by the World Bank and the African Development Bank. Expenditures are projected to remain consistent with the budget, although interest payments on external debt will also increase due to the depreciation of the dalasi. The government will ensure that it continues to meet the basic fiscal balance target in the program.

17. The current account (excluding grants) is expected to widen during 2009 and 2010 but to improve in the medium term. During 2009, remittances are expected to fall significantly compared to 2008, and tourism income may also decline. Increased budget support will be available from 2009 onward. The World Bank and the AfDB are expected to disburse a total of US$13 million in 2009, and the EU is expected to disburse budget support of €25 million over 2010–2013.

18. Risks to the outlook include the effects of the global economic downturn, worsening fiscal performance, and shortfalls in expected donor assistance. The global crisis could affect the external balance as well as domestic growth, especially if declines in remittances and tourism revenue are deeper or longer-lasting than projected.

19. Responding to the global economic crisis is the biggest near-term challenge for Gambian economic policy. The government intends to minimize the effect of the crisis, particularly on the economically vulnerable. At the same time, it seeks to lower domestic and foreign debt in the medium term, improve long-term growth prospects, and enhance Gambia's competitiveness. Macroeconomic targets for 2009 to 2011 include:

- returning to real GDP growth rates of about 5 percent a year;
- bringing inflation down to 6 percent in 2009 and about 5 percent in 2010;
- reducing government interest-bearing domestic debt from approximately 25 percent of GDP at end-2008 to approximately 18 percent at end-2011;
- bringing about a moderate reduction in the external current account deficit (including official transfers) over the medium term; and
- rebuilding international reserves to cover five months of imports.

V. The Remainder of the Program

20. The Gambia's debt burden remains high despite the country having reached the HIPC completion point. By September 2009, the government will adopt a national debt strategy that will ensure that external and domestic debt burden indicators are steadily reduced to more sustainable levels. The strategy will limit the amount of external borrowing so that the present value of the debt-to-exports ratio will fall below 100 percent by 2026. Also, it will stipulate a path for reducing domestic debt. Future borrowing plans will be assessed against this strategy. The debt strategy must therefore focus on attracting grants and highly concessional loans to finance The Gambia's poverty reduction program. The government will seek treatment comparable with the HIPC initiative from all external creditors, with the assistance of the IMF and the World Bank. It will limit new external borrowing to concessional loans with a grant element of at least 45 percent.

21. During 2009, the government will formulate its strategy for reforming the tax system, drawing on the recommendations of the IMF technical assistance mission. The objective of tax reform is to broaden the tax base, improve the efficiency of the tax system, and rationalize central and local government taxation. The government expects to incorporate some of the recommendations into the 2010 budget. Others will be considered for subsequent budgets. It is also seeking IMF technical assistance on tax administration and fiscal decentralization.

22. The government remains committed to the targets in the 2009 budget for current expenditures and domestic capital spending. If revenues for the year are higher than budgeted, the surplus will be used primarily to finance propoor expenditure in the social sectors and also to reduce domestic debt.

23. Over the medium term the government will seek to finance more social spending from external grants rather than loans. The government needs to mobilize more external resources (grants and highly concessional loans) to finance infrastructure and other priority economic development projects. It plans to use the fiscal space created by lower interest payments on domestic debt to boost domestic investment and spending on the poor.

24. If there is an SDR allocation from the IMF, it will be used to increase official reserves. The government does not intend to draw on this allocation because the interest rate payable would not be concessional.

25. Monetary policy will continue to aim at maintaining price stability. The Gambia has a floating exchange rate regime, with no predetermined path for exchange rates. Intervention in the foreign exchange market will be limited to smoothing exchange rate volatility and be carried out with due regard for achieving the CBG's reserve targets. Liquidity forecasting will be improved to enhance the implementation of monetary policy.

26. The government will conclude its review of the Investment Promotion Act and propose amendments to be enacted in 2009. These amendments will streamline investment promotion procedures, protect the attractiveness of The Gambia as a destination for foreign direct investment, and improve transparency in the fiscal treatment of foreign investment.

27. With the granting of approval-in-principle to five prospective banks, the number of licensed commercial banks is expected to increase to at least 15 by the end of 2009 from 11 in 2008. During 2008, the minimum capital requirement for commercial banks was increased in two stages, from D60 million to D150 million effective end-2010 and to D200 million effective end-2012. The new minimum capital requirement applies with immediate effect to new applicants for bank licenses. The authorities recognize the need to strengthen capacities at the Banking Supervision Department of the CBG. In view of the need to strengthen its bank supervision capacity, the CBG will be vigilant in issuing new commercial bank licenses.

28. The government is implementing its civil service reform strategy and program. The three main areas are a pay and incentive system, a capacity building and human resources development program, and pensions reform, including development of a new pension scheme and an actuarial valuation. The government is funding the pay and incentive scheme; the World Bank and other donors are expected to fund the other schemes. Government is in discussions with the World Bank about its support.

VI. PROGRAM MONITORING

29. The program will continue to be monitored based on agreed quantitative targets (Table 1), structural benchmarks (Table 3), and program reviews. The quantitative financial targets for end-September 2009 are performance criteria, and those for end–June 2009 and end-December 2009 are indicative targets. The sixth review is scheduled to be completed by end-January 2010. Definitions of all targeted variables and reporting requirements are contained in the attached technical memorandum of understanding (TMU).

30. To ensure effective monitoring of program implementation, the PRGF Monitoring Committee, headed by the Minister for Finance and Economic Affairs will continue to meet regularly to review performance under the program. It will also ensure that data are reported to the IMF as per the schedule agreed in the TMU and will provide any other information deemed necessary or requested by IMF staff in order to monitor the program. The committee will also take remedial actions if there are gaps or delays in reporting reliable statistics.

Table 1: Quantitative Performance Criteria and Indicative Targets, End-December 2006 to End-December 2009

	2006	2007		2008								2009				
	End-Dec.	End-Dec.[1]		End-Mar.		End-Jun.		End-Sep.		End-Dec.		End-Mar.		End-Jun.	End-Sep.	End-Dec.
	Act.	Prog.	Act.	Prog.	Act.	Prog.	Act.	Prog.	Act.	Prog.	Act.	Prog.	Act.	Prog.	Prog.	Prog.
Performance criteria [2]	(Stock)	(Cummulative change from end-December 2006)														
		(Millions of dalasis)														
Net domestic assets of the central bank (ceiling)	38.7	504.5		603.2		581.7		-48.8		-97.0		759.0		859.0	964.6	914.5
Adjusted for privatization proceeds and budget support[3]		262.5	-270.4	361.2	-334.5	339.7	-393.2	94.2	-365.9	46.0	617.8	913.0	556.6			
Basic balance (floor)[4]	...	659.4	613.6	628.5	760.6	746.2	722.7	793.4	781.1	859.3	480.4	616.9	681.3	745.5	772.7	685.6
New external payments arrears of the central government (ceiling)[5]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		(Millions of U.S. dollars)														
Net usable international reserves (floor)	94.9	12.3		15.8		16.2		27.0		36.5		-2.9		-6.1	-5.9	-13.7
Adjusted for privatization proceeds and budget support[6]		23.3	32.0	26.8	27.5	27.2	29.0	20.5	32.7	30.0	1.5	-9.9	1.6			
New nonconcessional debt contracted or guaranteed by the government with original maturity of more than one year (ceiling)[7]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outstanding stock of external public debt with original maturity of one year or less (ceiling)[8]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indicative targets		(Millions of dalasis)														
Domestic budgetary arrears[9]	561.5	-440.2	-369.5	-486.5	-441.6	-532.5	-494.3	-561.5	-494.3	-561.5	-561.5	-561.5	-494.3	-531.3	-531.3	-531.3
		(Millions of U.S. dollars)														
Net present value of new contracted external debt (cumulative ceiling)[10]		4.2	0.0	20.7	4.2	20.7	4.2	31.7	4.2	31.7	30.2	40.1	36.7	40.1	45.6	45.6
Memorandum item:																
Program exchange rate (D/$)		22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0
Privatization proceeds ($ millions)	…	17.5	28.5	17.5	28.5	17.5	28.5	35.0	28.5	35.0	28.5	28.5	28.9	29.9	29.9	29.9
Privatization proceeds (D millions at program exchange rate)	…	385.0	627.0	385.0	627.0	385.0	627.0	770.0	627.0	770.0	627.0	627.0	634.7	657.8	657.8	657.8
Expenditure from privatization receipts (D millions)	…	70.0	158.6	179.0	180.1	288.0	612.0	548.6	612.0	612.0	612.0	612.0	612.0	612.0	657.8	657.8
Budget support grants ($ million)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.0	0.0	11.5	11.5	11.5
Budget support grants (D millions at program exchange rate)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	154.0	0.0	253.0	253.0	253.0

Source: IMF staff estimates.

[1]MDRI debt relief took place in the fourth quarter of 2007.
[2]March 2008, September 2008, March 2009, and September 2009 are performance criteria; December 2007, June 2008, December 2008, June 2009, and December 2009 are indicative targets.
[3]Adjusted upward (downward) by the dalasi equivalent of the extent to which actual receipts fall short of (exceed) projected level of privatization receipts and budget support grants.
[4]Defined as domestic revenue minus expenditure and net lending, excluding externally financed capital expenditure.
Adjusted downward by the dalasi equivalent of the amount of external budget support in excess of the projected levels up to a cummulative maximum in of US$10 million in 2009.
[5]To be applied on a continuous basis.
[6]Adjusted upward (downward) by the extent to which actual receipts exceed (fall short of) projected level of privatization receipts and budget support grants.
[7]External debt contracted or guaranteed other than that with a grant element equivalent to 45 percent or more, calculated using a discount rate based on the Organization for Economic Corporation and Development (OECD) commercial interest reference rates (CIRRs). Excludes borrowing from the IMF.
[8]Excluding normal import-related credits.
[9] Actual domestic budgetary arrears have been revised upwards for December 2007 and March 2008 to exclude loans that were initially included in arrears. Arrears for March 2009 were revised upwards to account for new arrears owed to the National Water and Electricity Corporation (NAWEC).
[10]Cumulative from October 1, 2007.

Table 2: Structural Conditionality, January - June 2009 1/

Measure	Target date	Status
Public financial management and accountability		
1. Verify claims of government and NAWEC on each other and draw up timetable for settlement of net claims (PC)	End-June 2009	Met
Central bank governance		
2. Prepare pro-forma financial statements for 2008 based on IFRS and have this reviewed by the CBG's external auditors (B)	End-June 2009	Met
Financial deepening		
3. Make the credit reference bureau operational (PC)	End-March 2009	Met with a delay
Statistics		
4. Publish quarterly balance of payments statistics, with a one quarter lag (B)	(i) End-March 2009 (2008Q4 data) (ii) End-June 2009 (2009 Q1 data)	Met with a delay Met

1/ PC and B denote performance criterion and benchmark, respectively.

Table 3: Structural Benchmarks, July-December 2009

Measure	Target date	Macro rationale
Public financial management and accountability		
1. Auditing of government accounts: submit to the national assembly audited government accounts for 2005, 2006, and 2007	End-Sept 2009	To improve fiscal accountability and control.
2. Prepare a national debt strategy after receiving TA	End-Sept 2009	To promote debt sustainability.
Statistics		
3. Publish quarterly balance of payments statistics, with a one quarter lag	(i) End-Sept 2009 (2009 Q2 data) (ii) End-Dec 2009 (2009 Q3 data)	To facilitate policy formulation through timely provision of economic statistics.

ATTACHMENT II

TECHNICAL MEMORANDUM OF UNDERSTANDING

(May–December 2009)

I. INTRODUCTION

1. This memorandum sets out the understandings between the Gambian authorities and staff of the International Monetary Fund (IMF) regarding the definitions of quantitative performance criteria, indicative targets, structural performance criteria, and structural benchmarks that will be used to monitor the Poverty Reduction and Growth Facility (PRGF)-supported program covering the period of 2007–09. It also sets out the related reporting requirements and describes the adjusters that will be applied to certain quantitative performance criteria.

II. QUANTITATIVE PERFORMANCE CRITERIA

A. Net Domestic Assets of the Central Bank

2. **Definitions:** The ***net domestic assets*** of the CBG are defined as the difference between reserve money and the net foreign assets of the CBG. ***Reserve money*** is defined as the sum of currency issued by the CBG (i.e., currency in circulation) and the deposits of commercial banks at the CBG. ***Net foreign assets*** are defined as foreign assets minus foreign liabilities. ***Foreign assets*** and ***foreign liabilities*** are defined as claims on nonresidents and liabilities to nonresidents, respectively.

3. For program monitoring purposes, in the calculation of the net domestic assets of the CBG, foreign assets and liabilities will be converted first into U.S. dollars at the prevailing cross-rates and then converted into dalasi using the program exchange rate of D22/US$. This is an accounting exchange rate only and should not be construed as a projection.

4. **Adjuster:** The net domestic assets of the CBG will be adjusted upward (downward) by the dalasi equivalent of the extent to which actual privatization receipts fall short of (exceed) the programmed levels specified in the budget.

5. **Adjuster:** The net domestic assets of the CBG will be adjusted upward (downward) by the dalasi equivalent of the extent to which actual budget support receipts fall short of (exceed) the programmed levels specified in the budget.

6. **Supporting material:** Net domestic assets of the central bank will be transmitted as part of the balance sheet of the CBG (compiled based on the TMU rate) on a monthly basis within four weeks of the end of each month. For analytical purposes, the balance sheet of the CBG compiled on a current-rate basis will also be submitted.

7. **Supporting material:** The CBG will report data on privatization receipts in the currency it is received in as well as equivalent amounts in U.S. dollars and in dalasis on a monthly basis within two weeks of the end of the month. The Ministry of Finance and Economic Affairs (MoFEA) will report data on a monthly basis within two weeks of the end of the month on expenditures made from the privatization receipts.

B. Basic Balance of the Central Government

8. **Definition:** The ***basic balance*** of the central government is defined as revenue (tax and nontax) minus total expenditure and net lending, excluding externally financed capital expenditure, excluding the statistical discrepancy. Central government excludes local and regional governments and public enterprises.

9. **Supporting material:** Reporting on the basic balance will form part of the consolidated budget report described in paragraph 29 below.

C. New External Payments Arrears of the Central Government

10. **Definition:** ***External payments arrears*** are defined as the stock of external arrears on loans contracted or guaranteed by the central government, except on debts subject to rescheduling or a stock of debt operation. Debts subject to rescheduling include debts covered under traditional mechanisms (bilateral creditors, such as Paris Club members) or HIPC. External payments arrears occur when undisputed interest and amortization payments on the above-referenced loans are not made within the terms of the debt contract or in conformity with the terms for interim relief provided under the enhanced HIPC Initiative. This performance criterion will be assessed on a continuous basis.

11. **Supporting material:** An accounting of nonreschedulable external arrears (if any) by creditor countries, with detailed explanations, will be transmitted on a monthly basis within four weeks of the end of each month. This accounting would include, separately, arrears owed by the central government and other public entities to Paris Club and non-Paris-Club creditors.

D. Net Usable International Reserves of the Central Bank of The Gambia

12. **Definition:** ***Net usable international reserves (NIR)*** of the CBG are defined as the difference between usable reserve assets and reserve liabilities. ***Usable reserve assets*** are readily available claims on nonresidents denominated in foreign convertible currencies. They include CBG holdings of SDRs, foreign currency cash, foreign currency securities, deposits abroad, and the country's reserve position at the IMF. Excluded are any assets that are pledged, collateralized, or otherwise encumbered, claims on residents, claims in foreign exchange arising from derivatives in foreign currencies vis-à-vis domestic currency (such as futures, forwards, swaps, and options), precious metals, assets in nonconvertible currencies, and illiquid assets (including capital shares in international organizations). ***Reserve liabilities***

are all foreign exchange liabilities to residents and nonresidents, including commitments to sell foreign exchange arising from derivatives (such as futures, forwards, swaps, and options), and all credit outstanding from the IMF.

13. **Adjuster:** Net usable international reserves of the CBG will be adjusted upward (downward) by the extent to which actual privatization receipts exceed (fall short of) the programmed level specified in the budget.

14. **Adjuster:** Net usable international reserves of the CBG will be adjusted upward (downward) by the extent to which actual budget support receipts exceed (fall short of) the programmed level specified in the budget.

15. **Adjuster:** In case of an allocation of SDRs by the IMF, the net usable international reserves of the CBG will be adjusted upward by the amount of the SDR allocation.

16. **Supporting material:** End-month data on net usable international reserves of the CBG will be transmitted within seven days of the end of each month. The CBG will identify the U.S. dollar equivalent of privatization receipts within net usable international reserves as a memorandum item.

E. New Nonconcessional Debt Contracted or Guaranteed by the Central Government with Original Maturity of More Than One Year

17. **Definition:** This target refers to new nonconcessional external debt with original maturity of more than one year contracted or guaranteed by the central government. It applies not only to debt as defined in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt, adopted by the Executive Board of the IMF on August 24, 2000 (Decision No. 12274–00/85), but also to commitments contracted or guaranteed for which value has not been received. Excluded from this target are loans or purchases from the IMF and debts with a grant element of at least 45 percent.[1] Also excluded are two loans from the OPEC Fund for International Development with grant elements of 39.5 percent each, which were approved in the first half of 2007.

18. **Supporting material:** A comprehensive record, including a loan-by-loan accounting of all new concessional and nonconcessional debt contracted or guaranteed by the central government with detailed explanations, will be transmitted on a quarterly basis within four weeks of the end of each quarter. Nonconcessional external debt over one year includes

[1]To be considered concessional in IMF arrangements, a loan should have a grant element of at least 35 percent, calculated on the basis of the commercial interest reference rates (CIRR) and following the methodology set out in the staff paper on "Limits on External Debt or Borrowing in Fund Arrangements – Proposed Change in Implementation of the Revised Guidelines" approved by the IMF Executive Board on April 15, 1996.

financial leases and other instruments giving rise to external liabilities, contingent or otherwise, on nonconcessional terms.

F. Outstanding Stock of External Public Debt with Original Maturity of One Year or Less

19. **Definition**: This target refers to the stock of outstanding external public sector debt with original maturity of one year or less, owed or guaranteed by the central government.[2] The public sector consists of the central and regional governments and other public agencies, including the CBG. Excluded from this target are normal import-related credits.

20. **Supporting material:** A comprehensive record of all external debt with original maturity of less than one year owed or contracted by the public sector, with detailed explanations, will be transmitted on a quarterly basis within four weeks of the end of each quarter.

III. Quantitative Indicative Targets

A. Domestic Budgetary Arrears

21. **Definition:** ***Domestic budgetary arrears*** are defined as the sum of all bills that have been received by a central government spending unit or line ministry under the recurrent expenditure budget (including rents and utilities) or the development expenditure budget, and for which payment has not been made within 30 days. Arrears can be cleared in cash or through debt swaps.

22. **Supporting material:** A comprehensive record of all domestic budgetary arrears, with detailed explanations, will be transmitted on a quarterly basis within four weeks of the end of each quarter.

B. Net Present Value of New Contracted External Debt

23. **Definition:** The net present value (NPV) of new external debt contracted or guaranteed by the government from October 2007 onward is calculated by discounting the future stream of payments of debt service due by the country-specific commercial interest reference rates (CIRRs) as published by the Organization for Economic Cooperation and Development (OECD). The new external debt will be measured by the U.S. dollar nominal sum of all loan agreements that have been contracted (ratified by parliament). Disbursed debt will be converted to U.S. dollars, based on prevailing WEO test date exchange rates; for

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[2] The term "debt" has the meaning set forth in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt, adopted by the Executive Board of the IMF on August 24, 2000 (Decision No. 12274–00/85).

loans contracted but not yet disbursed, the profile disbursement will be measured at the actual exchange rate at the test date, based on the projected drawdown consistent with the medium-term fiscal framework as discussed with the Fund staff.

24. **Supporting material:**. Data on the NPV of the stock of outstanding external debt contracted or guaranteed by the government since October 2007 will be provided on a monthly basis within five weeks of the end of each month.

IV. Structural Benchmarks

A. Auditing of Government Accounts

25. The government shall submit to the national assembly audited government accounts for 2005, 2006, and 2007.

B. National Debt Strategy

26. The government shall prepare a national debt strategy. The strategy will outline comprehensive measures to reduce external and domestic debt to appropriate levels, consistent with the IMF and World Bank LIC Debt Sustainability Framework (DSF).

C. Quarterly Balance of Payments Statistics

27. **Supporting material**: Quarterly balance of payments data are to be transmitted to the IMF with a one quarter lag.

V. Other Data Requirements and Reporting Standards

28. In addition to providing the data needed to monitor program implementation in relation to the program's performance criteria, indicative targets, and benchmarks, as set out above, the authorities will transmit the following data within the time frame specified below:

A. Prices

29. The monthly disaggregated consumer price index, including weights for each major category, with August 2004 = 100, will be transmitted within four weeks of the end of each month.

B. Government Accounts Data

30. A monthly consolidated central government budget report (the analytical table) on budget execution during the month and cumulatively from the beginning of the year, will be transmitted to the IMF within four weeks of the end of the month. The report will comprise (i) revenue data by major item, including tax (direct tax, taxes on domestic goods and services, and taxes on international trade) and nontax; (ii) external grants by type (e.g., project, program); (iii) details of recurrent expenditure (including data on wages and

salaries, interest payments, and other charges); (iv) details of capital expenditure and net lending (including data on externally financed capital expenditure, expenditures from the Gambia Local Fund, and net lending); (v) the overall balance and the basic balance (defined in paragraph 7); and (vi) details of budget financing (including net domestic borrowing and its gross components, external grants, net external borrowing and its gross components, utilization of privatization proceeds, and arrears).

31. Net domestic borrowing by the central government over a given period is defined as the difference between the net domestic debt at the end of the period and the net domestic debt at the beginning of the period. The central government's net domestic debt is defined as: claims on the central government by the banking system minus deposits of the central government with the banking system plus claims by the nonbanking sector, including public enterprises. Central government excludes local and regional governments and public enterprises. The banking system comprises the CBG and commercial banks.

C. Poverty Reducing Expenditures

32. A monthly report on poverty-reducing expenditures, by functional and economic classifications, will be transmitted within four weeks of the end of each month. Poverty-reducing expenditures comprise line items in the budget that have been specifically tagged as PRSP-related. For 2007, they include expenditure on the construction of trunk roads.

D. Monetary Sector Data

33. The balance sheets of the CBG, prepared on the basis of current and program exchange rates, will be transmitted on a monthly basis to the IMF within four weeks of the end of each month. The balance sheet should explicitly identify all claims on, and liabilities to, the government. Claims include overdrafts, holdings of treasury bills, interest and non-interest-bearing government bonds, advances to the government in foreign currency, and other claims. Liabilities include balances in the treasury main, treasury expenditure, consolidated revenue fund. and other revenue accounts, and treasury bill special deposit, privatization, special projects, foreign projects, and other deposit accounts.

34. The consolidated balance sheet of the commercial banks and a monetary survey (consolidating the accounts of the CBG and the commercial banks), including foreign currency deposits held by residents of The Gambia with commercial banks, will be transmitted within four weeks of the end of each month.

35. The CBG will also forward, within four weeks of the end of each month, data on bank reserves held at the CBG to meet statutory reserve requirements during the last week of each month (broken down by total reserves, and excess reserves or deficits). Data will be provided for each commercial bank as well as for the industry as a whole.

36. The CBG will also forward within four weeks of the end of each month, data on government borrowing from the CBG as defined in the CBG Act 2005. The data shall indicate the limit on government borrowing from the CBG based on the government's tax revenues in the preceding year.

37. The CBG will also forward within four weeks of the end of each month, data on transactions in official reserves, including daily data on foreign exchange intervention. Further, the CBG will forward the foreign exchange liquidity forecast following each meeting of the Foreign Reserves Management Committee.

E. Treasury Bills

38. Weekly data on the amount offered, issued, net issuance, over-/under-subscription, and yields (interest rates) of the various instruments will be transmitted on a monthly basis within seven days of the end of the month. Data on treasury bills outstanding (including information on the distribution by bank and nonbank holders) will be transmitted on a monthly basis within six weeks of the end of each month. The weekly short-term liquidity forecast will be transmitted following each meeting of the Treasury Bills Committee. The monthly liquidity management report, reflecting the data as of the last working day of the month, will be transmitted within seven days after the end of each month.

F. External Sector Data

39. The following standards will be adhered to in reporting data on exchange rates: (i) the interbank market exchange rates, defined as the simple average of the weekly weighted average buying and selling rates, will be transmitted on a weekly basis within five business days of the end of the week; and (ii) the CBG's published monthly average and end-month exchange rates, including those for all currencies in which foreign assets and liabilities are denominated, will be transmitted within two weeks of the end of the month.

40. The CBG will also forward monthly data on volume of transactions (purchases, sales, and total) in the foreign exchange market by each major group of participants (CBG, commercial banks, and foreign exchange bureaus) in dalasis within two weeks of the end of the month.

G. CBG Report on Monetary Program Data

41. The CBG shall forward a report prepared by the Internal Audit Department verifying the accuracy of monetary data submitted to the IMF. The report shall be submitted within one quarter after each test date. The first test date for which the report is to be prepared is September 2008.

INTERNATIONAL MONETARY FUND

THE GAMBIA

Fifth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Request for Waiver of Nonobservance of Performance Criterion Informational Annex

Prepared by the African Department
(In consultation with other departments)

Approved by Roger Nord and Dominique Desruelle

July 21, 2009

- **Relations with the Fund.** Describes financial and technical assistance from the Fund and provides information on the safeguards assessment and exchange rate system. Outstanding purchases and loans amounted to SDR 13.11 million (42.15 percent of quota) at end-May 2009.

- **Joint Bank-Fund Work Program.** Lists the work program of the Bank and the Fund on The Gambia during January–December 2009.

- **Relations with the African Development Bank.** Describes the African Development Bank Group program and portfolio.

- **Statistical Issues.** Assesses the quality of statistical data. The authorities have made progress in improving the compilation of economic and financial statistics. However, weaknesses in a broad range of economic statistics are hampering the analyses of economic developments in the country.

The Gambia: Relations with the Fund
(As of June 30, 2009)

Membership status. Joined September 21, 1967. The Gambia accepted the obligations under Article VIII, Sections 2(a), 3, and 4, of the Fund's Articles of Agreements on January 21, 1993. It maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions.

General Resources Account	SDR Million	% Quota
Quota	31.10	100.00
Fund holdings of currency	29.62	95.23
Reserve position in Fund	1.48	4.77

SDR Department	SDR Million	% Allocation
Net cumulative allocation	5.12	100.00
Holdings	0.05	0.89

Outstanding Purchases and Loans	SDR Million	% Quota
Poverty Reduction and Growth Facility (PRGF) arrangements	13.11	42.15

Latest Financial Arrangements

Type	Approval Date	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
PRGF	Feb. 21, 2007	Feb. 20, 2010	20.22	13.11
PRGF	Jul. 18, 2002	Jul. 17, 2005	20.22	2.89
PRGF	Jun. 29, 1998	Dec. 31, 2001	20.61	20.61
PRGF	Nov. 23, 1988	Nov. 25, 1991	20.52	18.02

Projected Payments to Fund (SDR million; based on current use of resources and present holdings of SDRs)[1]

	Forthcoming				
	2009	2010	2011	2012	2013
Principal	0	0	0	0.20	1.00
Charges/interest	0.04	0.08	0.08	0.08	0.08
Total	0.04	0.08	0.08	0.28	1.08

[1] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative

	Enhanced Framework
Commitment of HIPC assistance	
Decision point date[2]	Dec. 11, 2000
Assistance committed (yearend 2000 NPV terms)[3]	
Total assistance (US$ million)	66.60
Of which: IMF assistance (US$ million)	2.30
SDR equivalent, million	1.80
Completion point date	December 19, 2007
Disbursement of IMF assistance (SDR million)	2.29
Assistance disbursed	1.80
Interim assistance	0.44
Completion point balance	1.36
Additional disbursement of interest income [4]	0.49

Implementation of Multilateral Debt Relief Initiative (MDRI)

MDRI-eligible debt (SDR million)[5]	9.42
Financed by: MDRI Trust	7.44
Remaining HIPC resources	1.98

Debt Relief by Facility (SDR million)

	Eligible Debt		
Delivery Date	GRA	PRGF	Total
December 2007	N/A	9.42	9.42

[2] The Fund approved the decision on 12/15/2000 as Decision 12365-(00/126). The World Bank Board decision was taken on 12/14/2000.

[3] Assistance committed under the enhanced HIPC Initiative is expressed in net present value (NPV) terms at the decision point.

[4] Under the enhanced HIPC Initiative, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

[5] The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end–2004 that remains outstanding at the time the member qualifies for such debt relief.

Safeguards assessments

Safeguards assessments of the Central Bank of The Gambia (CBG) were completed in February 2004 and February 2007. The 2007 assessment concluded that the CBG had instituted a series of control reforms to strengthen its safeguards framework, but also found vulnerabilities in the internal control and financial reporting areas. The assessment recommended measures to enhance controls over the reserves management function, a phased implementation of International Financial Reporting Standards (IFRS), and an action plan to ensure that government borrowing from the CBG was within the statutory limits. An update assessment is currently in progress.

Exchange rate arrangement

Until January 20, 1986, the Gambian currency, the dalasi, was pegged to the pound sterling at a rate of D5 = £1. On January 20, 1986, an interbank market for foreign exchange was introduced, and since then the exchange rate has been determined by market forces. Effective June 30, 2002, the exchange rate arrangement of The Gambia was reclassified from independently floating to managed float with no preannounced path. As of end–May 2009, the midpoint exchange rate in the interbank market was D26.74 per U.S. dollar. The Gambia has accepted the obligations of Article VIII, Sections 2(a), 3, and 4 and maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions. The Gambia maintains exchange restrictions for security reasons, based on UN Security Council Resolutions, that have been notified to the Fund for approval (EBD/08/86, 08/13/08) under the procedures set forth in Executive Board Decision No. 144-(52/51).

The Gambia has been part of the exchange rate mechanism of the West African Monetary Zone (WAMZ) since April 2002.

Last Article IV consultation

The Executive Board concluded the 2006 Article IV consultation (EBS/06/128) on October 13, 2006.

Technical assistance

The Fund has been providing The Gambia with extensive technical assistance in macroeconomic, fiscal, and monetary areas, and in improving the compilation of macroeconomic statistics. Specific technical assistance projects are the following:

Fiscal Affairs Department

April 2009	TA mission advised on measures to reform the tax system.
Jul. 2008	Peripatetic regional advisor followed up on the work of the Aug./Sep. 2007 FAD mission.

Aug./Sep. 2007	TA mission assessed all areas of public financial management and provided an action plan to secure the actual implementation of reforms initiated in the recent past.
Sep. 2004–May 2006	Peripatetic regional advisor assisted the authorities in putting the new organic budget law into effect, strengthening public expenditure management, and improving the reporting of budget execution.
Feb./Mar. 2004	Mission worked jointly with the World Bank on the Assessment and Action Plan (AAP).
Apr. 2003	TA advisor reviewed reforms in public expenditure management.
Mar. 2003–Oct. 2003	Long-term resident budget expert helped the authorities to strengthen budgetary expenditure reporting and control.
Dec. 2002	TA advisor advised the authorities on drafting an organic budget bill.
Oct. 2002	TA advisor reviewed reforms in public expenditure management.
Mar. 2002–Oct. 2003	Long-term resident budget expert helped the authorities to strengthen budgetary expenditure reporting and control, initially for a year beginning from March 2002. The assignment was later extended until October 2003.
Nov. 2001–Oct. 2003	Peripatetic advisor assisted the DoSFEA in revenue administration reforms, including customs, implementing a large-taxpayer unit, and establishing a central revenue authority.
Jul. 2001	TA mission assessed the authorities' capacity to track poverty-related spending.
Aug. 2000–Aug. 2001	Long-term resident budget expert assisted the authorities in strengthening budgetary expenditure reporting and control.
Sep. 1999	TA mission assisted the authorities in expenditure management, budget execution issues, cash and debt management, short-term financial planning, fiscal reporting, and information systems.
Jan./Feb. 1996	Joint FAD/United Nations Development Program (UNDP) TA mission helped set up a system for monitoring the financial operations of public enterprises.

Monetary and Capital Markets Department/ Monetary and Financial Systems Department /Monetary and Exchange Affairs Department

January 2009	Technical expert advised the CBG on banking supervision.

Sept. 2007	Mission advised on improving the monetary policy framework and enhancing the effectiveness of monetary, foreign exchange, and debt management operations for the CBG.
Mar./May 2007	Technical expert advised the CBG on banking supervision.
Mar./Apr 2007	Technical expert advised the CBG in strengthening its capacity in internal auditing.
Jan./Feb. 2007	Technical expert advised the CBG on improving monetary operations.
Jul./Aug. 2006	Technical expert advised the CBG on banking supervision.
Jul./Aug. 2006	Mission reviewed progress made in strengthening the CBG's capacity in monetary operations and liquidity forecasting, foreign exchange operations, and foreign reserves management.
Apr./May 2006	Technical expert advised the CBG on banking supervision.
Apr./May 2006	Technical expert advised the CBG on improving monetary operations.
Nov. 2005	Technical expert advised the CBG on improving monetary operations.
Mar. 2005	Follow-up to the October 2004 mission.
Oct. 2004	Advisory mission made recommendations for improving monetary and foreign exchange operations and for reorganizing the central bank.
Jul. 2002	TA diagnostic mission focused on financial supervision and the insurance sector; and helped review the Central Bank Act and draft the Financial Institutions and Insurance Act.
Dec. 2001	TA diagnostic mission focused on strengthening CBG ability to , formulate and implement monetary policy and manage its foreign exchange operations and the financial system.
May 2001	Short-term expert helped the authorities to design operational, prudential, and policy safeguards (including assessing the adequacy of legislation) for introducing foreign-currency-denominated accounts.
Apr. 2001	Short-term expert helped the authorities to set up a book-entry system.
May 2000	Short-term expert helped the authorities to set up a short-term liquidity forecasting system.
Nov. 1999	Short-term expert helped the authorities design operational,

	prudential, and policy safeguards (including assessing the adequacy of legislation) for introducing foreign-currency-denominated accounts in the banking system.
Aug. 1998	TA mission helped the CBG draft market-based monetary policy instruments and review its program for strengthening banking supervision.
Dec. 1996	Technical expert helped the CBG in foreign exchange operations.
Jan./Feb. 1994	TA mission worked on monetary management and bank supervision.

Statistics Department

Jun. 2008	Fourth visit of the U.K. Department of International Development (DfID)-funded TA mission helped the authorities improve the compilation of national accounts statistics, particularly in rebasing the GDP series and calculation of GDP by expenditure approach, with results from the 2004 Economic Census.
Apr./May 2008	Follow-up of the 2006 TA mission to assist the CBG in improving the compilation of monetary and financial statistics and in preparing the standardized report forms for reporting monetary data to the IMF.
Mar. 2008	Third visit of the DfID-funded TA mission helped the authorities improve the compilation of national accounts statistics, particularly in rebasing the GDP series and calculation of GDP by expenditure approach, with results from the 2004 Economic Census.
Oct./Nov. 2007	Second visit of the DfID-funded TA mission helped the authorities improve the compilation of national accounts statistics, particularly in rebasing the GDP series with results from the 2004 Economic Census.
Sep. 2007	The DfID-funded TA mission helped to improve the compilation of balance of payments statistics.
Aug. 2007	The DfID-funded TA mission advised in improving the compilation of national accounts statistics, particularly in rebasing the GDP series with results from the 2004 Economic Census.
Apr./May 2006	TA mission helped to improve the compilation and analytical soundness of monetary and financial statistics.
Feb. 2006	TA mission advised on compilation of balance of payments statistics.

Feb. 2005	Report on the Observance of Standards and Codes (ROSC)—Data Module—mission assessed data quality in four main areas of macroeconomic statistics (national accounts, government finance, monetary, and balance of payments) based on the Fund's Data Quality Assessment Framework (DQAF, July 2003) and The Gambia's dissemination practices against the recommendations of the General Data Dissemination System (GDDS).
2002–04	Peripatetic statistical advisor helped the Central Statistics Department update CPI data and improve the compilation of national accounts statistics.
May 2003	Mission advised on building an integrated database to report monetary statistics for all IMF data submissions.
Aug. 2001	TA mission advised on compilation of monetary and financial statistics.
Sep. 2000	TA mission advised on compilation of balance of payments statistics.
Nov. 1999	Mission reviewed collection of statistics to develop GDDS metadata for The Gambia.
Jun./Jul. 1999	TA mission advised on compilation of balance of payments statistics.
Nov./Dec. 1998	TA mission advised on national accounts statistics.

Others

Mar./Apr. 2007	A Poverty and Social Impact Analysis (PSIA) mission analyzed the planned reform of the groundnut sector and discussed with the authorities the implications of these reforms.
Apr. 2002–Apr. 2004	A long-term resident macroeconomic advisor was assigned initially for a year beginning from April 2002, and later the assignment was extended by one more year through April 2004.

Resident Representative

Mr. Alex Segura-Ubiergo was appointed the Fund's first Resident Representative to The Gambia in September 2006. He is also the Resident Representative to Senegal.

The Gambia: Joint Bank-Fund Work Program, January-December 2009

Title	Products	Timing of Missions	Expected Delivery Date
A. Mutual Information on Relevant Work Program			
Bank work program in next 12 months	**Economic Management and Public Service Delivery** 1. Capacity Building for Economic Management project (including Integrated Financial Management Information System) 2. Development Policy Operation (budget support) 3. Poverty Assessment (including impact of food/oil price increases) 4. Country Financial Accountability Assessment (CFAA) **Growth and Competitiveness** 1. Investment Climate Assessment	1. Oct./Nov. 2008 2. Oct./Nov. 2008 3. Oct./Nov. 2008	1. Project closes end-2008 2. Target Board date – Dec. 2008/Jan. 2009 3. Draft report – Feb. 2009 4. Final report – Nov. 2008 1. Final report – Nov. 2008
Fund work program in next 12 months	**Policy Advice** 1. Fifth PRGF review 2. Sixth PRGF review **Technical Assistance** 1. Tax reform	1. May 2009 2. November 2009 1. April 2009	1. August 7, 2009 2. January 2010 1. April 2009
B. Requests for Work Program Inputs			
Fund request to Bank	Periodic updates on DPO, poverty assessment, CFAA, and ICA		
Bank request to Fund	Periodic updates on macroeconomic framework		
C. Agreement on Joint Products and Missions			
Joint products in next 12 months	1. Debt Sustainability Analysis 2. JSAN (First APR on PRSP II)	1. Oct./Nov. 2008	1. Jan. 2009 2. Jan. 2009

The Gambia: Relations with the African Development Bank
(As of June 22, 2009)

The African Development Bank (AfDB) Group began lending to The Gambia in 1974. As of June 8, 2009, it had approved 56 operations with total commitments (net of cancellations) of UA213.82 million (US$327.8 million) in the following sectors: transport (24 percent); agriculture (22 percent); social (24. percent); public utilities (12 percent); multi-sector (10 percent); environment (6 percent); and industry (2.0 percent).[6] About 85.4 percent of the Bank Group's net commitments were made from the resources of the African Development Fund (ADF), 8.6 percent from the ADB nonconcessional window, and 6. percent from the Nigeria Trust Fund (NTF).

As of June 8th, 2009, 42 operations had been completed, 2 were cancelled at the government's request, and 12 others continue, including 3 multinational projects, all in agriculture. Implementation of the portfolio is generally satisfactory; it achieved a rating score of 2.01 (on a scale from 0 to 3) during the Bank Group's 2006 portfolio review. The portfolio has a relatively low project-at-risk (PAR) rate of 33.3 percent, which compares well with the Bank-wide average of 45 percent as indicated in the AfDB's 2008 Annual Portfolio Performance Review (APPR). Total disbursement rates for the portfolio are also satisfactory. By November 10, 2008, they were 91 percent (overall), 100 percent (AfDB-financed projects), 92 percent (ADF), and 71 percent (NTF). The disbursement rate for the ongoing portfolio was 55.5 percent as of June 8th 2009.

The AfDB is also a major participant in The Gambia's enhanced Heavily Indebted Poor Countries (HIPC) Initiative program, under which it is to grant debt relief of US$15.8 million in net present value (NPV) terms (23.6 percent of total debt relief under the program). Of this, $6.3 million in end-1999 NPV has been paid as interim relief. Additionally, MDRI relief from the AfDB will yield annual debt service savings (net of HIPC assistance) averaging US$1.6 million over the next 5 years and US$3.9 million over the following 39 years.

The AfDB prepared a Joint Assistance Strategy (JAS) with the World Bank in early 2008 to cover 2008–11. The JAS is based on two main pillars—(1) strengthening the institutional framework for economic management and public service delivery, and (2) enhancing growth and competitiveness and the productive capacity of the economy. The JAS will help support the Government's national priorities through the main channels of budget and project support in the context of growth poles and enhanced service delivery. The strategy was approved at the World Bank in February 2008 and at the AfDB in March 2008. The JAS is anchored to the Gambia's Poverty Reduction Strategy Paper PRSP II (2007–2011) and will be supported

[6] UA stands for unit of account = 1 SDR (equivalent to about $1.6445 as of March 31, 2008).

by new lending and by the ongoing portfolio, which is summarized in Table 2. Table 1 below describes some of the recent projects in the portfolio:

Table 1. Some Recent Projects in the Portfolio

Objective	Instrument and Amount	Focus
Meet the MDGs	Basic Education Project, UA10.0 million	Increase access to quality education and skills development, particularly for girls and pupils in the poorest areas of the country.
Reduce poverty	Entrepreneurship promotion and microfinance development project UA8.0 million	Enhance entrepreneurial skills and improve capacity and income generation ability by providing microfinance. Focus is poverty reduction.
Implement multi-sector Institutional Support (Approved November 2007; articulated in the JAS)	Institutional Support Project for Economic Management and Financial Governance, grant of UA1.4 million	Strengthen capacity of departments and institutions involved in preparing and implementing the PRSP. Extend support to institutions dealing in economic governance, including the new Directorate of Central Project Management and Aid Coordination in the Department of State for Finance and Economic Affairs (DOSFEA), National Audit Office (NAO), and SPACO.

Under ADF–10 and ADF–11, The Gambia is a grants-only recipient. Additional resources can be made available if there is improvement in both performance under the Country Policy Institutional Assessment (CPIA) and portfolio performance.

The AfDB's strategy is implemented through both lending and non-lending activities. Lending activities will comprise project finance and budget support. Non-lending intervention is designed to strengthen policy dialogue between the government and stakeholders and focuses mainly on studies, funded through grants, to improve governance, mainstream gender, enhance efficiency of infrastructure, and improve the energy supply. The AfDB prepared a Governance Profile for The Gambia in 2007 and has recently collaborated with the World Bank and the U.K. Department for International Development (DfID) in the preparation of a study on Civil Service Reform. A Gender Profile is programmed for 2009.

Table 2: The Gambia: AfDB Ongoing Portfolio as of June 8th, 2009

Sector/Project	Approval Date	Completion Date	Remarks	Financing Source	Amount Approved (UA million)	Disbursements (UA million)	%
Agriculture							
1. Participatory. Integrated Watershed Management.	09/06/04	31/12/11		NTF Loan	4.95	4.37	88.3
2. Artisanal Fisheries Development	17/05/00	30/06/09		NTF Loan	2.90	1.9	65.5
3. NERICA Rice Dissemination- Gambia (multinational)	26/09/03	31/12/10		ADF Loan	1.56	0.823	52.7
4. Farmer Managed Rice Irrigation Project	26/04/05	30/04/11		ADF Loan ADF Grant	5.00 0.50	3.67 0.37	73.7 73.9
5. Invasive Aquatic Weeds-Gambia (multinational)	22/09/04	31/12/11		ADF Loan	0.31	0.24	76.6
6. Livestock and Horticulture Development	26/12/08	31/12/14		ADF Grant	4.02	0.0	0.0
Total Agriculture					**19.24**	**11.37**	**59**
Social Sector							
7. Basic Education III	11/09/02	30/06/09	Extension Requested	ADF Loan	10.00	8.76	87.6
8. Community Skills Development Project	16/02/00	30/06/09		ADF Loan ADF Grant	4.44 1.45	3.97 1.28	89.5 88.3
9. Entrepreneurship Promotion and Microfinance Development Project	15/11/06	31/12/12		ADF Grant	8.0	0.67	8.4
Total Social Sector					**23.89**	**14.68**	**61.4**
Multi-sector							
10. Institutional Support Project for Economic and Financial Governance	21/11/07	31/12/10		ADF Grant	1.4	0.90	64.4
11. Poverty Reduction Budget Support Program	12/01/09	31/12/12		ADF Grant ADB Grant	3.0 1.0	0.0 0.0	
Total Multi-sector					**5.4**	**0.90**	**16.7**
Total Ongoing Portfolio					**48.53**	**26.95**	**55.5**

Sector	Net Amount Approved (UA Million)	Percentage Share (%)
Agriculture	19.24	40
Social Sector	23.89	49
Multi-sector	5.400	11
Total	**48.53**	**100%**

The Gambia: Statistical Issues

Data provision has some shortcomings, but is broadly adequate for surveillance. While the authorities have made some progress in improving the compilation of economic and financial statistics, substantial shortcomings remain in national accounts, balance of payments, and external debt statistics. Data reporting to the Fund is somewhat irregular. The country participates in the General Data Dissemination System (GDDS), with its metadata last updated in the second half of 2003.

The National Assembly passed a new Statistics Act in December 2005 and work began in June 2006 to implement the plan for transforming the Central Statistics Department (CSD) into The Gambia Bureau of Statistics (GBoS). A Statistics Council and a Statistician General have already been appointed and efforts are ongoing to fully staff the GBoS. A mission visited Banjul in February 2005 to prepare a data ROSC, which was published by the Fund in November 2005.

Real sector

The main constraints to improving national accounts include inadequate source data due to low response rates of surveys (manufacturing, trade, and business services industries), as well as poor quality of external data and inattention to other important sources (such as the household budget survey, livestock census, and census of industrial production). The GBoS continues to face human and financial constraints to undertake such surveys and process the data.

STA missions on national accounts in 2007 and March 2008 assisted the GBoS to implement the *1993 System of National Accounts* methodology and rebase the national accounts to properly reflect the country's output levels, economic structure and relative prices. In this context, STA missions have helped the authorities: (1) process the data collected for the 2004 Economic Census; (2) rebase the GDP series using the results of the 2004 Economic Census; and (3) improve the GDP estimates by the production approach and begin compiling GDP series by the expenditure approach. The authorities now have a preliminary revised nominal GDP series compiled by the production approach for the period 2000–07 (with a base year of 2004). GDP series by the expenditure approach are still under review. In May 2007, the country began participating in the second phase of the GDDG Project for Anglophone Africa on national accounts, which is funded by the U.K. Department for International Development (DfID).

The World Bank has been providing technical assistance to the GBoS to update the consumer price index (CPI) using the 2003 household expenditure survey to better reflect current consumption patterns. The GBoS began to publish in early 2007 a new national CPI with representative expenditure basket as of August 2004.

Government finance

The authorities release data on central government transactions with a lag of about four weeks for both revenue and expenditure. The central government accounts for 1991–99 were not audited until 2005. Inadequacies persist in compiling data on an economic basis and in tracking foreign-financed expenditure. Monthly data on domestic government financing are available with a delay of six to eight weeks. At a meeting with STA in October 2007, the authorities expressed interest in technical assistance to facilitate the migration to *GFSM2001*. No data are being reported for publication in the *Government Finance Statistics Yearbook* or in the *IFS*.

Monetary data

The Central Bank of The Gambia (CBG) has improved data reporting to the Fund, but sometimes the reports are delayed. An April–May 2006 STA mission recommended: expanding the coverage of depository corporations to include credit unions; including accrued interest in the value of financial instruments; and compiling a financial survey given the significant influence of the Social Security and Housing Finance Corporation in monetary developments. To improve the accuracy and classification of government accounts, the mission designed a supplementary form for reporting government positions at the CBG, to be reported to the IMF monthly. It also assisted the CBG in the introduction of standardized report forms (SRFs). A follow-up mission in April/May 2008 made further progress on the SRFs for reporting data on the central bank and other depository corporations to STA and establishing an integrated monetary database, which would generate alternative outputs for use by the CBG, STA, and AFR. The authorities have now prepared a preliminary set of SRFs.

External sector statistics

Despite recent improvements, balance of payments statistics continue to be affected by shortcomings. These include long delays in the collection of trade, customs, and tourist arrival data; crude methods of estimating re-export trade; poor data on capital flows; lack of a register of firms and establishments engaged in external transactions; poor classification of balance of payments data; and lack of consistent methodology. Institutional weaknesses have also been a major impediment to improving statistics. Official grant and loan disbursements and repayments are generally well recorded, but there are some gaps in project disbursements.

The CBG produces balance of payments statistics according to the *Balance of Payments Manual*, 5th edition *(BPM5)*. These statistics are published in *International Financial Statistics (IFS)* and in the 2007 IMF *Balance of Payments Statistics Yearbook (BOPSY 2007*). The CBG has been compiling quarterly balance of payments statistics through a Fund-administered technical assistance project funded by DfID. The most recent data available are for the first quarter of 2008.

With DfID assistance the CBG conducted an enterprise survey in March 2006 to collect data for the international investment position. In April 2006, the CBG also initiated a survey funded by the World Bank to collect data on selected components of the current account.

The Gambia: Table of Common Indicators Required for Surveillance

(As of June 18, 2009)

	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Frequency of Publication[6]	Memo Items:	
						Data Quality Methodological Soundness[7]	Data Quality Accuracy and Reliability[8]
Exchange rates	4/30/09		M	M	M		
International reserve assets and reserve liabilities of the monetary authorities[1]	4/30/09		M	M	A		
Reserve/base money	4/30/09		M	M	M	LO, LO, LO, LO	LNO, LO, O, LO, LNO
Broad money	4/30/09		M	M	M		
Central Bank balance sheet	4/30/09		M	M	M		
Consolidated balance sheet of the banking system	4/30/09		M	M	M		
Interest rates[2]	4/30/09		W	W	W		
Consumer Price Index	4/30/09		M	M	M		
Revenue, expenditure, balance, and composition of financing[3] – general government[4]						LO, LO, O, O	LNO, LO, LO, LNO, NO
Revenue, expenditure, balance, and composition of financing[3]– central government	4/30/09		M	M	A		
Central government and central government–guaranteed debt[5]							
External current account balance	Dec. 2008		A	A	A	LNO, LNO, LNO, LO	LNO, LNO, LNO, LO, NO
Exports and imports of goods and services	Dec. 2008		A	A	A		
GDP/GNP	2008		A	A	A	LNO, LNO, O, LO	LNO, O, LNO, LO, NO
Gross external debt	Dec. 2008		M	Q	A		

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[2] Both market-based and officially determined, including discount rates, money market rates, and rates on treasury bills, notes, and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extrabudgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Daily (D), weekly (W), monthly (M), quarterly (Q), annually (A); irregular (I); not available (NA).
[7] Reflects the assessment provided in the data ROSC published on November 8, 2005, and based on the findings of the mission in February 2005. For the dataset corresponding to the variable in each row, the assessment indicates whether international standards concerning (respectively) concepts and definitions, scope, classification/sectorization, and basis for recording are fully observed (O), largely observed (LO), largely not observed (LNO), or not observed (NO).
[8] Same as footnote 7, except referring to international standards concerning (respectively) source data, assessment and validation of source data, statistical techniques, assessment and validation of intermediate data and statistical outputs, and revision studies.

INTERNATIONAL MONETARY FUND
EXTERNAL RELATIONS DEPARTMENT

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Washington, D.C. 20431 USA

IMF Completes the Fifth Review Under The Gambia's PRGF Arrangement and Approves a US$8 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) completed today the fifth review of The Gambia's economic performance under the three-year Poverty Reduction and Growth Facility (PRGF) arrangement. The completion of the review enables The Gambia to draw immediately an amount of SDR 5.11 million from the IMF (about US$8 million) bringing total disbursements to SDR 18.22 million (about US$28.6 million).

The Executive Board also granted a waiver for the nonobservance of an end-March 2009 structural performance criterion to make the credit reference bureau operational.

The PRGF arrangement became effective February 21, 2007, for a total amount of SDR 14 million (about US$22 million) (see Press Release No. 07/28). The fourth review was completed on February 18, 2009. The Executive Board's decision on the fifth review was taken on a lapse of time basis.[1]

[1] The Executive Board takes decisions under its lapse of time procedure when it is agreed by the Board that a proposal can be considered without convening formal discussions.